(3)

No. 89-530

Supreme Court, U.S.
FILED
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In The

Supreme Court of the United States

October Term, 1989

PORTLAND GOLF CLUB,

Petitioner,

v.

COMMISSIONER OF INTERNAL REVENUE

Respondent.

Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Ninth Court

JOINT APPENDIX

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PETITION FOR WRIT OF CERTIORARI FILED SEPTEMBER 28, 1989
CERTIORARI GRANTED JANUARY 16, 1990

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UNITED STATES TAX COURT

No. 13436-85

PORTLAND GOLF CLUB

v.

COMMISSIONER OF INTERNAL REVENUE

DOCKET ENTRIES

DATE	PROCEEDINGS
May 20, 1985	Petition filed; fee paid. Served May 21, 1985.
July 8, 1985	Designation of trial at Portland, OR. Served July 9, 1985.
July 8, 1985	Answer by Respondent filed (C/S 7/4/85).
Aug. 20, 1986	Notice of Trial on January 20, 1987, at Portland, Oregon. Served August 20, 1986.
Dec. 8, 1986	Motion by the Parties for continuance.
Dec. 10, 1986	Order that by Dec. [illegible]986 the parties file an agreement to be [illegible]d by the decision in Dkt. No. 20651-82 [illegible]ge Scott) Served Dec. 16, 1986.
Jan. 20, Jan. 21, 1987	Trial at Portland, OR before Judge Scott 1-29 Joint Motion for continuance filed Dec. 8, 1986 – See Order. 1-21 Petr's trial memorandum (served by petr). Resp's trial memorandum (served by resp).

	Stipulation of facts with exhibits attached ORIGINAL BRIEFS DUE: April 14, 1987. REPLY BRIEFS DUE: May 29, 1987. SUBMITTED TO JUDGE SCOTT
Jan. 29, 1987	Ordered that the joint motion for continuance filed on December 8, 1986 is rendered moot. Served Feb. 19, 1987.
Feb. 17, 1987	Transcript for Jan. 21, 1987 received.
Feb. 27, 1987	Transcript for Jan. 29, 1987 received.
Apr. 14, 1987	Brief for Respondent filed. Served April 30, 1987.
Apr. 16, 1987	Motion by Leonard Henzke to file Amicus Curiae for National Club Association (Amicus Curiae Lodged). GRANTED April 17, 1987.
Apr. 17, 1987	Amicus Curiae Statement by Leonard J. Henzke filed. Served April 20, 1987.
Apr. 17, 1987	Petr's Brief filed. (P.M. timely). Served April 20, 1987.
May 29, 1987	Reply Brief for Resp. Served June 5, 1987.
June 2, 1987	Reply Brief for Petr. (P.M. Timely). Served June 5, 1987.
Feb. 24, 1988	Opinion filed, Judge Scott. T.C. Memo. 1988-76. (Decision will be entered for the Petr.) Served Feb. 24, 1988.
Mar. 2, 1988	Decision entered, Judge Scott.

APPELLATE PROCEEDINGS

May 27, 1988	Notice of Appeal to U.S.C.A., 9th Cir., filed by Resp. Served June 3, 1988.
June 3, 1988	Notice of Filing with copy of Notice of Appeal mailed to counsel of record for petr.
June 3, 1988	Notice, to parties, of assembling and date for transmission of record.

TAX COURT DOCUMENTS

	Document No.
Petition	1
Designation of place of trial	2
Answer	3
Notice setting case for trial on 1/20/87	4
Joint motion for continuance	5
Order dated 12/10/86	6
Minutes of Proceedings before the Tax Court dated 1/20, 21, 29/87	7
Petitioner's trial memorandum	8
Respondent's trial memorandum	9
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Motion of National Club Association to file Amicus Curiae Statement-Granted	12
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9TH CIRCUIT COURT OF APPEALS

No. 88-7218

PORTLAND GOLF CLUB

v.

COMMISSIONER OF INTERNAL REVENUE

DOCKET ENTRIES

DATE	PROCEEDINGS
6/6/88	DOCKETED CAUSE AND ENTERED APPEARANCES OF COUNSEL. Sent appellant(s) civil appeals docketing statement. (ogm)
6/29/88	FILED CERTIFIED TRANS OF ADMINISTRATIVE RECORD ON APPEAL IN 2 VOLUMES: PLDGS, VOL 1, ORIG ONLY; R/T'S VOL 2, ORIG ONLY. ONE FOLDER OF EXHIBITS. [88-7218] (ch)
7/1/88	Filed William F. Nelson for Appellant CIR Civil Appeals Docketing Statement served on 6/28/88 (to CONFATT) [88-7218] [88-7218] (ch)
7/13/88	Filed order CONFATT (HAH) releasing case from CONFATT and setting briefing schedule appellant's brief, excerpts due 8/22/88 for CIR. [88-7218] (el)
8/4/88	Filed as of 7/29/88, Appellant CIR's motion to hold the case in abeyance pending a decision in 88-7062 [88-7218] served on 7/26/88 [1085654] (PROMO) (el)
8/8/88	Filed as of 8/5/88, Appellee Portland Golf Club's response opposing motion to hold in

	abeyance [1085654-1] served on 8/3/88. (PROMO) [88-7218] (ogm)
8/12/88	Filed order (Deputy Clerk: MLM) denying aplt's motion to hold this appeal in abeyance pending a decision in appeal #88-7062. The clk shall endeavor to calendar appeals #88-7062 & 88-7218 before the same panel. [1085654-1] [88-7218] (el)
8/17/88	10-day Oral extension by phone of time to file Appellant CIR brief [88-7218] appellant(s)' brief due 9/1/88 for CIR (mlm)
8/22/88	Copy of letter received from CIR addressed to aple's counsel, dated 8/19/88 re: confirming 10 day oral extension to file aplt's brief has been granted by the clk's office. [88-7218] (ogm)
9/6/88	Recvd notice of appearance of Robert S. Pomerance Kenneth L. Greene for aplt. [88-7218] (tsp)
9/6/88	Received Appellant CIR's brief in 15 copies of 50 pages, (no excerpts, counsel notified deficient by ltr) Served on 9/1/88 [88-7218] response to brief deficiency notice due 9/20/88 for CIR (tsp)
9/15/88	Received Appellant CIR satisfaction of (minor) brief deficiency re: 5 excerpts of record; accompanied by a motion to file brief and excerpts of record out of time. (PROMP) [88-7218] (ch)
9/16/88	Copy of letter received from CIR re: consenting to the filing of an amicus brief on behalf of the National Club Association as long as brief is filed by the time Appellee's brief is filed. [88-7218] (ch)
9/22/88	Filed motion and deputy clerk order: (Deputy Clerk: AHH) Aplt's motion for leave to file

	the opening brief & excerpts of record out of time is granted. The brief rec'd 9/6/88 & the excerpts of record rec'd 9/15/88 shall be filed. Aple's brief is due 30 days from the date of entry of this order. [1244694-1] [88-7218] (el)
9/22/88	Filed original and 15 copies Appellant CIR opening brief 50 pages, and five excerpts of record in 1 volumes; served on 9/1/88 previously rec'd. [88-7218] (el)
10/26/88	Filed Orig & 15 National Club's Amicus Brief, 33 pages, served on 10/24/88. Accompanied by consenting letters of counsel for filing of the Amicus Brief. [88-7218] (ch)
10/31/88	Filed Original and 15 Appellee's (Portland Golf Club) Briefs, 47 pages, served on 10/24/88. [88-7218] (ogm)
11/10/88	Filed Original and 15 Aplt's (CIR) Reply Briefs, 25 pages, served on 11/8/88. [88-7218] (ogm)
11/14/88	INVENTORIED [88-7218] (mm)
1/11/89	Calendar check performed [88-7218] (rk)
1/12/89	Filed in 88-7062, order (Deputy Clerk: AW) For the convenience of the court, this matter is removed from the San Francisco, 2/14/89 calendar, and shall be rescheduled on the Portland, March, 1989 calendar with CA No. 88-7218. [88-7218] (ch)
1/13/89	Calendar materials being prepared. [88-7218] [88-7218] (aw)
1/18/89	CALENDARED: PO 3/6/89 1:30 p.m. [88-7218] (dd)
2/23/89	Filed in 88-7062 order (Deputy Clerk: AW) The motion of National Club Ass. to participate in oral argument as amicus curiae is denied. [88-7218] (el)

3/14/89	ARGUED AND SUBMITTED TO: CANBY, THOMPSON, LEAVY [88-7218] (bp)
6/1/89	FILED MEMORANDUM OPINION (CANBY, THOMPSON, LEAVY, author, CJJ) REMANDED FILED AND ENTERED JUDGMENT. [88-7218] (ch)
6/1/89	JS-34 disposition reported. Termination on the merits after oral argument (Remanded) [88-7218] (ch)
6/23/89	MANDATE ISSUED. [88-7218] (ch)
8/31/89	Copy of letter received from the US Supreme Court re: an application of ext of time to file a writ of certiorari has been granted to and including 9/29/89. (case file) [88-7218] (ch)
10/10/89	Received notice from Supreme Court: petition for certiorari filed Supreme Court No. 89-530 filed on 9/28/89. [88-7218] (el)
1/23/90	Received notice from Supreme Court, petition for certiorari GRANTED on 1/16/90. (PANEL) (el)

UNITED STATES TAX COURT

PORTLAND GOLF CLUB, Petitioner,	)	Docket No. 13436-85
v.	)	
COMMISSIONER OF INTERNAL REVENUE, Respondent.	)	PETITION

The petitioner hereby petitions for a redetermination of the deficiency set forth by the Commissioner of Internal Revenue in his Notice of Deficiency (AP:PO:90 D:AB:MH) dated February 19, 1985, and as the basis of their case allege as follows:

1. Petitioner is a nonprofit Oregon corporation exempt from tax under Internal Revenue Code § 501 (c)(7) with its principal office at 5900 S.W. Scholls Ferry Road, Portland, Oregon 97225. Petitioner's taxpayer identification number is 93-1256880. The returns for the period here involved were filed with the Office of Internal Revenue Service in Ogden, Utah.

2. The Notice of Deficiency (a copy of which is attached hereto and marked Exhibit A) was mailed to Petitioners on February 19, 1985 and was issued by the office of Internal Revenue Service at Portland, Oregon.

3. The deficiencies as determined by the Commissioner are for unrelated business income tax for fiscal year ending September 30, 1980 in the amount of $1,828.00 of which $1,828.00 is in dispute; and for the fiscal year ending September 30, 1981 in the amount of $3,470.00 of which $3,470.00 is in dispute.

4. The determination of tax set forth in the Notice of Deficiency is based on the following errors:

a. Portland Golf Club engaged in an unrelated business of sale of food and beverage to nonmembers without a profit motive;

b. Food and beverages are sold to nonmembers at prices insufficient to recover the cost of such sales including a reasonable allocation of fixed overhead;

c. The net operating losses for years prior to fiscal year ending September 30, 1980 were the result of sales of food and beverages to nonmembers and such sales were not profit motivated;

d. Unrelated business taxable income should be increased $156,987.00 and $199,098.00 for the taxable years ending September 30, 1980 and September 30, 1981, respectively, because sales in prior years were not profit motivated;

e. Interest income in the amount of $11,752.00 and $21,414.00 for taxable years ending September 30, 1980 and September 31, 1981, respectively, is not exempt function income.

5. The facts upon which petitioner relies, as the basis of its case, are as follows:

a. During the taxable years 1980 and 1981, petitioner, Portland Golf Club, was an Oregon nonprofit corporation exempt from tax under Internal Revenue Code § 501(c)(7).

b. During the years involved, the day-to-day operations of the Club were overseen by a full time

professional manager experienced in the operation of a private club including the operations of the food and beverage service.

c. During the years involved, the operation of the food and beverage portion of the Club was run by a professional food and beverage manager with experience in food preparation, pricing, food service, and other aspects of food and beverage service.

d. The overall operation of the Club is overseen by a Board of Directors of nine members chosen from the membership of the Club.

e. The financial affairs of the Club are overseen by a Finance Committee chosen from members of the Club with particular experience in financial matters.

f. The Board of Directors, Finance Committee, the General Manager and the Food and Beverage Manager were all active during fiscal years ending September 30, 1980 and September 30, 1981 in the operation of the nonmember food and beverage business as well as the exempt functions of the club.

g. Complete books and accounting records are kept by the Club on exempt functions as well as on nonmember food and beverage business. A national firm of certified public accountants is retained to prepare tax returns and provide an annual audited financial statement.

h. The nonmember food and beverage service of Portland Golf Club is operated in a business-like manner with an intent to make a profit.

i. The average price per person charged for nonmembers' food and beverage service is significantly higher than the average price per person charged for members for food and beverage service.

j. During the tax years at issue, and previously, all the direct expenses in total and a portion of the indirect expenses, reasonably apportioned on the basis of gross income, were included as a deduction in determining taxable income or loss for the purpose of filing a return on the unrelated business income tax. The returns showed a taxable loss for those years.

k. The price of nonmember food and beverage is set to make a profit after deducting the direct expenses in total and deducting indirect expenses reasonably apportioned based on the use of the facilities. During the years at issue, petitioner did show a profit from nonmember food and beverage service after deduction of all direct expenses and a reasonable allocation of indirect expenses.

l. Petitioner did not have unrelated business taxable income of $156,987.00 and $199,098.00 for taxable years ending September 30, 1980 and September 30, 1981, respectively.

m. In taxable years ending September 30, 1980 and September 30, 1981, petitioner set aside interest income for future use in pursuing their tax exempt function.

WHEREFORE, petitioner prays that the Court will hear this petition and find:

a. For taxable years ending September 30, 1980 and September 30, 1981, that petitioner was engaged in

sale of food and beverage to nonmembers with an intent to make a profit;

b. That in years prior to tax years ending September 30, 1980, petitioner engaged in sale of food and beverages to nonmembers with an intent to make a profit;

c. That taxpayer did not have unrelated business taxable income of $156,987.00 and $199,098.00 for taxable years ending September 30, 1980 and September 30, 1981, respectively;

d. That the interest income set aside for future use in pursuing exempt purposes is related exempt function income for September 30, 1980 and September 30, 1981; and

e. For such other relief as the Court finds appropriate.

DATED May 16, 1985.

/s/ Allen B. Bush
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UNITED STATES TAX COURT

PORTLAND GOLF CLUB, Petitioner, v. COMMISSIONER OF INTERNAL REVENUE, Respondent.	)	Docket No. 13436-85 [Filed July 8, 1985]

ANSWER

THE RESPONDENT, in answer to the petition filed in the above-entitled case, admits and denies as follows:

1, 2, and 3. Admits

4. (a) through (e) Denies the Commissioner erred.

5. (a) Admits.

(b) and (c) Denies for lack of knowledge.

(d) Admits.

(e) and (f) Denies for lack of knowledge.

(g) Denies the first sentence for lack of knowledge; denies the last sentence of lack of knowledge, except admits that a national firm of certified public accountants prepared the tax returns for the fiscal years in dispute.

(h) Denies.

(i) Denies for lack of knowledge.

(j) Denies the first sentence of lack of knowledge; denies the last sentence for lack of knowledge, except admits that for the fiscal years ending September

30, 1980 and September 30, 1981, petitioner's tax returns, Form 990-T, showed a loss with respect to unrelated business taxable income.

(k) and (l) Denies.

(m) Denies for lack of knowledge.

6. Denies generally each and every allegation of the petition not hereinbefore specifically admitted, qualified or denied.

WHEREFORE, it is prayed that the deficiencies determined by the respondent be in all respects approved.

Dated: July 1, 1985

FRED T. GOLDBERG, JR.
Chief Counsel
Internal Revenue Service

By: /s/ Henry R. Snyder
HENRY R. SNYDER
District Counsel

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UNITED STATES TAX COURT

PORTLAND GOLF CLUB, Petitioner, v. COMMISSIONER OF INTERNAL REVENUE, Respondent.	)	Docket No. 13436-85

STIPULATION OF FACTS

In accordance with Tax Court Rule 91(e), the below signed parties agree to this stipulation of facts pursuant to the general terms of this preamble, *unless specifically expressed otherwise in this stipulation*. All stipulated facts shall be conclusive. All stipulated exhibits shall be considered authentic. All copies shall be considered electronic reproductions of the originals and shall be treated as if originals. Any relevancy objections may be made with respect to all or any part of this stipulation at the time of submission, but all other evidentiary objections are waived unless specifically expressed within this stipulation.

1. The Portland Golf Club (hereinafter "Petitioner") is and at all relevant times was a nonprofit Oregon corporation exempt from tax under Section 501(c)(7) of the Internal Revenue Code of 1954.

2. At the time of filing its petition herein, the Petitioner's principal office was located at 5900 S.W. Scholls Ferry Road, Portland, Oregon.

3. Attached hereto and incorporated herein as Joint Exhibit 1-A is a true and correct copy of the Statutory

Notice of Deficiency, dated February 19, 1985, on which notice this case is based.

4. For the fiscal year ending September 30, 1980, the Petitioner timely filed an Exempt Organization Business Income Tax Return, Form 990-T, a copy of which is attached hereto and incorporated herein as Joint Exhibit 2-B.

5. For the fiscal year ending September 30, 1981, the Petitioner timely filed an Exempt Organization Business Income Tax Return, Form 990-T, a copy of which is attached hereto and incorporated herein as Joint Exhibit 3-C.

6. For the fiscal year ending September 30, 1980, the Petitioner timely filed a Federal tax return, Form 990, a copy of which is attached hereto and incorporated herein as Joint Exhibit 4-D.

7. For the fiscal year ending September 30, 1981, the Petitioner timely filed a Federal tax return, Form 990, a copy of which is attached hereto as Joint Exhibit 5-E.

8. Since 1914, the Petitioner has owned and operated a private golf and country club with a golf course, restaurant and bar, swimming pool, and tennis courts for the benefit of its members, their guests, and nonmembers on a restricted basis.

9. The Petitioner's purpose is, and during the years at issue was, to operate a golf club, restaurant, bar and party facilities, swimming pool, and tennis courts for the benefit of its members and their guests.

10. The Petitioner's exempt activities are the provision of entertainment, dining, and athletic recreation to its members.

11. During the years at issue, the Petitioner also conducted certain nonexempt activities.

12. During the two fiscal years in question, the Petitioner's nonexempt function income was derived from two sources, investments in the form off interest income and the sales of food and beverages to nonmembers.

13. In connection with the nonmember sales of food and beverages, the Petitioner incurred variable expenses such as food and beverage costs, payroll, and other expenses, as well as overhead and fixed expenses.

14. The Petitioner's overhead expenses for the sales of food and beverages to nonmembers consist of items such as administration, taxes, insurance, and depreciation.

15. Petitioner's fixed expenses would be incurred whether the Petitioner served nonmembers or not.

16. Petitioner has consistently deducted an allocable portion of overhead and fixed expenses from nonmember income for purposes of computing tax on its tax return, in accordance with proposed Treas. Reg. 1.512(a)-3(b)(5).

17. Since at least 1975 and up to and including the present, the Petitioner has used an allocation formula based on the ratio that nonmember sales bore to total sales to compute the amount of overhead and fixed expenses allocated to and deducted from the Petitioner's unrelated business income on its tax returns. Such method of allocation is reasonable.

18. For the years at issue, an allocable portion of overhead costs was properly attributable and directly connected to the generation of nonmember income, as set forth on Petitioner's tax returns (Joint Exhibits 2-B and 3-C).

19. Since at least 1975 and up to fiscal year 1984, the Petitioner has incurred losses for tax purposes and has reported losses on its tax returns from the sale of food and beverages to nonmembers.

20. During the fiscal year ending September 30, 1980, the Petitioner received investment income in the form of interest income in the amount of $11,752.00, which it did not report on its tax return, Form 990-T, for said year.

21. Petitioner agrees that for the fiscal year ending September 30, 1980, the $11,752.00 of interest income constitutes taxable investment income. Petitioner claims there is no tax due for fiscal year ending September 30, 1980, as this income merely reduces the net loss for unrelated business income purposes as shown on its tax return. Respondent claims that the Petitioner must pay tax on its interest income for the fiscal year ending September 30, 1980, because the Petitioner did not incur a loss from the sale of food and beverages to nonmembers which can be used to offset such investment income for unrelated business income purposes.

22. During the fiscal year ending September 30, 1981, the Petitioner received investment income in the form of interest income in the amount of $21,414.00, which it did not report on its tax return, Form 990-T, for said year.

23. Petitioner agrees that for the fiscal year ending September 30, 1981, the $21,414.00 of interest income constitutes taxable investment income. Petitioner claims there is no tax due for fiscal year ending September 30, 1981, as this income merely reduces the net loss for unrelated business taxable income purposes as shown on its tax return. Respondent claims that the Petitioner must pay tax on its interest income for the fiscal year ending September 30, 1981, because the Petitioner did not incur a loss from the sale of food and beverages to nonmembers which can be used to offset such investment income for unrelated business income purposes.

24. Many of the Petitioner's expenses are fixed expenses relating to the maintenance and minimum staff requirements of operating its facilities.

25. Petitioner's members are allowed to sponsor guests, friends, and organizations who wish to use the Petitioner's facilities and services for private parties, receptions, or catering. Petitioner's nonmember food and beverage income resulted when these activities did not meet the requirements for member receipts for purposes of I.R.C. § 512 and the regulations and rulings thereunder; i.e., Petitioner's nonmember food and beverage income constitutes unrelated business income.

26. Attached hereto and incorporated herein as Joint Exhibit 6-F is a true and correct copy of a letter dated August 12, 1981 from Petitioner's finance committee to Petitioner's Board of Directors wherein Petitioner's dining room operations are discussed.

27. Attached hereto and incorporated herein as Joint Exhibit 7-G is a true and correct copy of a letter

dated January 25, 1983 from Davison Castles, Director-House Committee, to the Petitioner's Board of Directors which was written in response to a member's questions regarding operation of the Petitioner's dining room and bar.

28. Attached hereto and incorporated herein as Joint Exhibit 8-H is a true and correct copy of a letter dated March 21, 1983 and written by Petitioner's Board of Directors to five of Petitioner's members regarding Petitioner's operations.

29. Attached hereto and incorporated herein as Joint Exhibit 9-I is a true and correct copy of a report, dated September 11, 1982, from Petitioner's finance committee regarding Petitioner's dining room and bar sales.

30. Attached hereto and incorporated herein as Joint Exhibit 10-J is a true and correct copy of the minutes of Petitioner's Finance Committee meeting, dated January 13, 1983.

31. Attached hereto and incorporated herein as Joint Exhibit 11-K is a true and correct copy of a report, dated January 20, 1983, from Petitioner's general manager, Steve Tidrick, to Petitioner's Board of Directors regarding a letter from one of Petitioner's members concerning the operation of Petitioner's dining room and bar.

32. Attached hereto and incorporated herein as Joint Exhibit 12-L is a true and correct copy of Petitioner's Statements of Operation and Members' Equity from Petitioner's audit report for the fiscal years ending September 30, 1980 and September 30, 1981.

33. Attached hereto and incorporated herein as Joint Exhibit 13-M is a true and correct copy of Petitioner's summary of Bar Operations from Petitioner's audit report for the fiscal years ending September 30, 1980 and September 30, 1981.

34. Attached hereto and incorporated herein as Joint Exhibit 14-N is a true and correct copy of Petitioner's summary of Dining Room Operations from Petitioner's audit report for the fiscal years ended September 30, 1980 and September 30, 1981.

35. Attached hereto and incorporated herein as Joint Exhibit 15-0 is a true and correct copy of a summary of Petitioner's Combined Dining Room and Bar Operations for the eleven-month period ended September 30, 1980 and the year ended September 1981. This summary was prepared by one of Petitioner's members in 1985 for purposes of trial preparation and is not a part of Petitioner's regular books and records. This combined summary does not exist for fiscal years other than the two fiscal years at issue herein.

36. Attached hereto and incorporated herein as Joint Exhibit 16-P, page 1-10, are true and correct copies of a summary analysis of Petitioner's dining room operations, both member and nonmember, for the eleven-month period ended September 30, 1980. This summary analysis was prepared by one of Petitioner's members in 1985 for purposes of trial preparation and is not a part of Petitioner's regular books and records. This summary analysis does not exist for fiscal years other than the two fiscal years at issue herein.

37. The summary analysis of Petitioner's dining room operations for the eleven-month period ended September 30, 1980 (Joint Exhibit 16-P, pages 1-10), computes the allocation of overhead and fixed expenses on the basis of actual nonmember use as a percentage of total actual use. Use is stated in square foot hours. This method of allocation (actual use) is different from the method of allocation (gross receipts) Petitioner used in preparing Petitioner's fiscal 1980 tax return (Joint Exhibit 2-B). The actual use method of allocation results in net income from the nonmember food and beverage business of Petitioner. The gross receipts method of allocation, as used by Petitioner on its fiscal 1980 tax return (Joint Exhibit 2-B), results in a net loss from the nonmember food and beverage business of Petitioner.

38. Attached hereto and incorporated herein as Joint Exhibit 17-Q, pages 1-9, are true and correct copies of a summary analysis of Petitioner's dining room operations, both member and nonmember, for the fiscal year ended September 30, 1981. This summary analysis was prepared by one of Petitioner's members in 1985 for purposes of trial preparation and is not a part of Petitioner's regular books and records. This summary analysis does not exist for fiscal years other than the two fiscal years at issue herein.

39. The summary analysis of Petitioner's dining room operations for the fiscal year ended September 30, 1981 (Joint Exhibit 17-Q, pages 1-9), computes the allocation of overhead and fixed expenses on the basis of actual nonmember use as a percentage of total actual use. Use is stated in square foot hours. This method of allocation (actual use) is different from the method of allocation

(gross receipts) Petitioner used in preparing Petitioner's fiscal 1981 tax return (Joint Exhibit 3-C). The actual use method of allocation results in net income from the nonmember food and beverage business of Petitioner. The gross receipts method of allocation, as used by Petitioner on its fiscal 1981 tax return (Joint Exhibit 3-C), results in a net loss from the nonmember food and beverage business of Petitioner.

40. Attached hereto and incorporated herein as Joint Exhibits 18-R, 19-S, 20-T and 21-U are true and correct copies of Petitioner's Exempt Organization Business Income Tax Return, Form 990-T, for the fiscal years ending September 30, 1982, September 30, 1983, September 30, 1984, and September 30, 1985, respectively.

41. The issue in dispute is whether the Petitioner can deduct expenses directly connected to the sale of food and beverages to nonmembers which exceed the gross receipts from such sales.

42. The operation of Petitioner is overseen by a Board of Directors (the "Board") of nine members which meets at least monthly. The Board supervises and reviews the actions of the full-time professional general manager, who controls the operations and implements Board policy on a day-to-day basis.

In addition to the Board, Petitioner has numerous standing committees which assist the Board, including a Finance Committee and House Committee.

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Dated:_____
Dated:_____

By _____

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T.C. Memo. 1988-76

UNITED STATES TAX COURT

PORTLAND GOLF CLUB,

Petitioner

v.

COMMISSIONER OF INTERNAL REVENUE,

Respondent

Docket No. 13436-85.

Filed February 24, 1988.

Allen B. Bush, for the petitioner.[1]

Gerald W. Douglas, for the respondent.

MEMORANDUM FINDINGS OF FACT AND OPINION

SCOTT, *Judge*: Respondent determined deficiencies in petitioner's income taxes for its fiscal years ending September 30, 1980, and September 30, 1981, in the amounts of $1,828 and $3,470, respectively. The issue for decision is whether petitioner, a social club exempt from tax under Section 501(c)(7)[2] may offset against unrelated business taxable income from interest, an amount which represents the excess of its deductions over receipts from sales of food and beverages to nonmembers.

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[1] An amicus curiae statement was filed by Leonard J. Henzke, Jr., as counsel for The National Club Association.

[2] Unless otherwise indicated, all section references are to the Internal Revenue Code of 1954, as amended and in effect during the years here in issue. Rule references are to the Tax Court Rules of Practice and Procedure.

FINDINGS OF FACT

Some of the facts have been stipulated and are found accordingly:

Petitioner, the Portland Golf Club, is and at all times relevant to the issues involved in this case, has been a nonprofit Oregon corporation exempt from Federal income tax under the provisions of Section 501(c)(7). At the time of filing its petition herein, petitioner's principal office was located in Portland, Oregon. For each of its fiscal years ending September 30, 1980, and September 30, 1981, petitioner filed a Form 990-T, Exempt Organization Business Income Tax Return, and a Form 990, Return of Organization Exempt From Income Tax.[3]

Since 1914, petitioner has owned and operated a private golf and country club with a golf course, restaurant and bar, swimming pool, and tennis courts for the benefit of its members, their guests, and nonmembers on a restricted basis. Petitioner's purpose is, and during the years here in issue was, to operate a golf club, restaurant, bar and party facility, swimming pool, and tennis courts for the benefit of its members and their guests. Petitioner's exempt activities are the provision of entertainment, dining, and athletic recreation to its members.

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[3] The return for petitioner's fiscal year ending September 30, 1980 was a return for a short taxable year of eleven months. Prior to this fiscal year petitioner had a fiscal year ending October 31, but applied for and received authority to change to a fiscal year ending September 30, 1980, resulting in the return for its fiscal year 1980 being for the period November 1, 1979 through September 30, 1980.

During the years in issue petitioner also conducted certain nonexempt activities. During these years petitioner's nonexempt function income was derived from investments which resulted in interest income and from the sales of food and beverages to nonmembers.

Petitioner's members are allowed to sponsor guests, friends, and organizations who wish to use petitioner's facilities and services for private parties, receptions, or catering. Petitioner's nonmember food and beverage income resulted when these activities did not meet the requirements of Section 512 of the Income Tax Regs. and respondent's ruling thereunder. Petitioner's nonmember food and beverage income from these activities constitutes unrelated business taxable income.

Petitioner incurred variable expenses such as food and beverage costs, payroll, and other expenses in connection with its nonmember sales of food and beverages, as well as overhead and other fixed expenses. Petitioner's overhead and other fixed expenses for the sale of food and beverages to nonmembers consisted of items such as administration, taxes, insurance, and depreciation (hereinafter "fixed expenses"). These fixed expenses would be incurred by petitioner whether petitioner served nonmembers or not. On its returns' Forms 990-T, petitioner has consistently deducted an allocable portion of overhead and fixed expenses from nonmember income in accordance with Prop. Income Tax Regs. Section 1.512(a)-(3)(b)(5).[4] Since 1975, through and including the years here in issue, petitioner has used an allocation

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[4] This proposed regulation was withdrawn as of January 23, 1987 by notice published on January 26, 1987 in the Federal Register. 52 Fed. Reg. 2724-2725.

formula based on the ratio that nonmember sales bore to total sales to compute the amount of overhead and fixed expenses allocated to and deducted from petitioner's unrelated business taxable income on its returns. Such method of allocation is reasonable.[5] For the years at issue an allocable portion of petitioner's overhead costs was properly attributable and directly connected to the generation of nonmember income. Using this method of reporting, petitioner has, since 1975 and up to its fiscal year 1984, incurred losses for tax purposes from the sale of food and beverages to nonmembers and has reported these losses on its Form 990-T returns. Many of petitioner's expenses are fixed expenses relating to maintenance and minimum staff requirements of operating its facilities.

Petitioner's prices for the sales of food and beverages to nonmembers were in excess of the prices of food and beverages served to members. Petitioner, in determining the prices to be charged for food and beverages to be served to nonmembers attempted to arrive at amounts which would result in the amount received from these sales being in excess of all variable costs directly related to such sales. The variable costs considered were items such as the food costs, supplies, beverage costs and labor costs. Petitioner priced sales of food and beverages to nonmembers so that the cost of food was about 30 percent to 33 percent of the selling price of the meal. Had petitioner chosen to allocate fixed overhead for the years here in issue based on actual use of facilities, it would have had net taxable income for income tax purposes from the sale of food and beverages to nonmembers as shown by the following schedule:

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[5] The parties stipulated to this fact in the exact language used in this opinion.

	11 Months Ending 9/30/80			Year Ending 9/30/81		
	Dining Room	Bar	Total	Dining Room	Bar	Total
Sales	$68,122	$16,300	$84,422	$85,134	$21,413	$106,547
Variable expenses:						
Food & Liquor	27,249	5,183	32,432	34,054	6,617	40,671
Labor & Other Related Costs	14,540	5,281	19,821	16,868	7,259	24,127
Other	8,362	1,206	9,568	11,853	1,756	13,609
	$50,151	$11,670	$61,821	$62,775	$15,632	$78,407
Excess of Sales over Variable Expenses	$17,971	$ 4,630	$22,601	$22,359	$ 5,781	$28,140
Fixed Expenses	3,153	0 *	3,153	4,666	0 *	4,666
Profit	$14,818	$ 4,630	$19,448	$17,693	$ 5,781	$23,474

* Fixed expenses are included under Dining Room.

From its fiscal year 1975 through its fiscal year 1984, the preparation of petitioner's Form 990-T, Exempt Organization Business Income Tax Returns, in accordance with the Prop. Income Tax Regs., Section 1.512(a)-3(b)(5), resulted in losses for tax purposes from the sale of food and beverages to nonmembers.

Petitioner's activities were run in a business-like manner and it kept complete and accurate books and records of its activities. Petitioner's operations were overseen by a board of directors (board) of nine members which met at least monthly. The board supervises and reviews the actions of the full-time, professional, general manager, who controls the operations and implements board policy on a day-to-day basis. During the years at issue, petitioner's board was made up of business people and professionals from various backgrounds. Petitioner's board, finance committee, and staff, in a number of instances, discussed and dealt with the problems relating to petitioner's food and beverage sales, and in these discussions, considered these food and beverage operations as important to petitioner's overall financial operations. From time to time the board discussed the nonmember food and beverage sales of petitioner. Petitioner had a standing finance committee which met monthly to review financial statements, conduct studies concerning the financial aspect of petitioner's operations, and generally to discuss the implementing of board policy in the area of financial matters. Under date of August 12, 1981, the finance committee addressed a memorandum to the board attaching an analysis of the dining room operations of petitioner. In the analysis, the committee pointed out that whereas ordinary meals served to members at the

club resulted in a loss, amounts received from private party functions including nonmember functions, generated higher than average sales and resulted in a profit. One of the conclusions in this report was that since nonmembers spend more than members per meal, the club should increase the number of nonmember meals served each month, and should encourage club members to bring in individuals and other nonmembers for lunches, dinners and special functions. Subsequently, various other studies were made of the food operations which considered ways of encouraging private parties of members and nonmember activities.

During the years here in issue the manager of petitioner was an individual with a bachelor of science degree in hotel and restaurant administration and a bachelor of science degree in recreation administration. This manager had previous employment with hotels and private clubs. The manager was a certified club manager and had served as an officer of the local chapter of Club Managers' Association of America, as well as a state director of Restaurants of Oregon Association. The price of food and beverages at nonmember activities was set by the board and the club management at an amount intended to result in a profit to the club over the direct cost associated with the activity. In addition, these activities were intended to attract additional members to the club, resulting in additional income from initiation fees, and to sharpen the skills of the chef and his staff.

During its fiscal year ended September 30, 1980, petitioner received investment income in the form of interest in the amount of $11,752. This interest constituted unrelated business taxable income to petitioner. During its

fiscal year ended September 30, 1981, petitioner received investment income in the form of interest in the amount of $21,414, which also constituted unrelated business taxable income to petitioner. On its Forms 990-T filed for its fiscal years ended September 30, 1980 and September 30, 1981, petitioner showed a loss on food and beverage sales of $28,433 and $69,608, respectively, computed on the basis of deducting an allocable portion of overhead and fixed expenses from nonmember income based on the percentage of nonmember sales to total sales in accordance with proposed Income Tax Regulations, Section 1.512(a)-3(b)(5). Respondent in his notice of deficiency to petitioner included in petitioner's income the interest income received in its fiscal years 1980 and 1981 and disallowed the deductions claimed in those years for losses on food and beverage sales to nonmembers, as well as the loss carryovers which petitioner claimed based on losses on nonmember food and beverage sales for prior years. Respondent explained the disallowance of the food and beverage losses by stating that—

> food and beverages are being sold to nonmembers at prices insufficient to cover the cost of such sales. These sales have consistently over a number of years only resulted in losses, consequently it is determined that such sales are not profit-motivated and any net loss cannot be deducted in computing unrelated business taxable income.

A similar explanation with respect to nonmember sales in prior years was given for the disallowance of the loss carryovers.

OPINION

Respondent's position in this case is that petitioner's losses, properly computed under his proposed Regulations, from the sale of food and beverages to nonmembers are not deductible by petitioner in determining its unrelated business taxable income since the expenses causing these losses were not incurred in a trade or business carried on for profit and, therefore, are not deductible as business expenses under Section 162. Respondent takes the position that the fact that petitioner shows a profit from the sale of food and beverages to nonmembers when the income from that activity is computed by determining deductible variable expenses on a percentage of use of facilities basis, is immaterial to determining whether it had a profit motive in conducting that activity, since petitioner actually reported the losses from this activity by allocating the fixed expenses in another acceptable manner.

It is further respondent's position that the primary motivation of petitioner's nonmember business activities was to provide a financial benefit to its members in that the revenues from the sales of food and beverages to nonmembers reduce the need for increasing members' assessments or increasing members' prices. Respondent concludes that since petitioner had no objective expectation of recovering all directly allocable expenses of its nonmember sales, it did not engage in the selling of food and beverages to nonmembers with a profit motive. Respondent contends that absent a profit motive, petitioner's nonmember sales of food and beverages do not constitute a trade or business and therefore the expenses

connected with this activity are not deductible by petitioner under Section 162. Respondent argues that for this reason it is improper to use the losses reported by petitioner from its food and beverage sales to nonmembers to reduce its unrelated business taxable income from interest in each of the years here in issue.

Petitioner, in answer to respondent's contentions, argues that since Section 512(a)(3)(A) defines certain income of nonprofit social clubs as "unrelated business taxable income" expenses directly connected with the production of that business related income are by definition expenses incurred in a trade or business which meets the requirements of Section 162. Petitioner argues that for this reason the profit motivation test is not applicable in determining whether an activity conducted by a nonprofit social club is a trade or business. Petitioner further argues that in any event it did intend to make a profit and did make a profit on its nonmember food and beverage sales. Petitioner concludes that it therefore properly aggregated income and expenses from all nonexempt sources to arrive at its unrelated business taxable income.

Petitioner, a tax exempt social club, under the provisions of Section 501(c)(7) is generally exempt from income tax under Section 501(a). However, as a nonexempt social club, petitioner is subject to the tax imposed by Section 511 on unrelated business taxable income pursuant to Section 501(b). The term unrelated business

taxable income is defined in Section 512(a)(1).[6] Section 512(a)(3) sets forth specific provisions with respect to the unrelated business taxable income of social clubs.[7] Section 512(a)(3)(B)[8] defines exempt function income as the

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[6] Sec. 512(a)(1) provides as follows:

(1) General Rule. – Except as otherwise provided in this subsection, the term "unrelated business taxable income" means the gross income derived by any organization from any unrelated trade or business (as defined in Section 513) regularly carried on by it, less the deductions allowed by this chapter which are directly connected with the carrying on of such trade or business, both computed with the modifications provided in subsection (b).

[7] Sec. 512(a)(3)(A) provides as follows:

(A) General Rule. – In the case of an organization described in Section 501(c)(7) or (9), the term "unrelated business taxable income" means the gross income (excluding any exempt function income), less the deductions allowed by this chapter which are directly connected with the production of the gross income (excluding exempt function income), both computed with the modifications provided in paragraphs (6), (10), (11), and (12) of subsection (b). * * *

[8] Sec. 512(a)(3)(B) provides as follows:

(B) Exempt Function Income. – For purposes of subparagraph (A), the term "exempt function income" means the gross income from dues, fees, charges, or similar amounts paid by members of the organization as consideration for providing such members or their dependents or guests goods, facilities, or services in furtherance of the purposes constituting the basis for the exemption of the organization to which such income is paid. Such term also means all income (other than an amount equal to the gross income derived from any unrelated trade or business regularly carried on by such organization computed as if the organization were subject to paragraph (1), which is set aside * * * .

gross income from dues, fees, charges, or similar amounts paid by members of the organization as consideration for providing such members or their dependents or guests goods, facilities, or services in furtherance of the purposes constituting the basis for the exemption of the organization to which such income is paid.

It is clear therefore, and neither party argues to the contrary, that amounts paid to petitioner by its members whether by assessment, dues, fees, or for meals, are exempt income but that all other income received by petitioner is unrelated business taxable income. Its income from sales to nonmembers is by definition unrelated business taxable income. Petitioner argues that because of this definition and the legislative history of Section 512, it follows that it is not necessary that an activity by a social club be a trade or business in the ordinary sense of that term as used in Section 162 to constitute an unrelated taxable income activity of such club. Petitioner argues that respondent in taking a position to the contrary ignores the definition of business taxable income and business activity contained in Section 512. Respondent argues that petitioner is incorrect in its interpretation of the statute, since the statute specifically provides that the unrelated business taxable income means the gross income less deductions "allowed by this chapter" which are directly connected with the production of gross income. It is respondent's position that deductions "allowed by this chapter" mean deductions under Section 162 and that in order for items to be deductible under Section 162 they must be incurred in connection with a trade or business. Respondent in support of his position cites the case of *Brook, Inc. v. Commissioner*, 799 F.2d 833 (2d Cir. 1986),

which affirmed in result a Memorandum Opinion of this Court. Respondent in his brief recognizes that the decision of the Second Circuit in *Brook, Inc. v. Commissioner, supra*, might be considered contrary to the decision in *Cleveland Athletic Club, Inc. v. United States*, 779 F.2d 1160 (6th Cir. 1985). Recently, in a Court-reviewed opinion, we discussed the holding of the Court in *Brook, Inc. v. Commissioner, supra*, as well as the holding in *Cleveland Athletic Club, Inc. v. United States, supra*. See *North Ridge Country Club v. Commissioner*, 89 T.C. 563 (1987). In the *North Ridge Country Club* case we concluded that it was unnecessary for us to choose between the positions with respect to Section 512(a)(3) taken in *Brook, Inc. v. Commissioner, supra* and *Cleveland Athletic Club, Inc. v. United States, supra*, since we had found in the case there under consideration that the taxpayer's sales of food and beverages to nonmembers were made with a profit motive.

The situation here with respect to food and beverage sales is indistinguishable from the situation involved in *North Ridge Country Club v. Commissioner, supra*.[9]

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[9] In fact, after the filing of the opinion in *North Ridge Country Club v. Commissioner*, 89 T.C. 563 (1987), petitioner forwarded a copy of the opinion to the Court with a letter that stated in part as follows:

> Enclosed please find a copy of the recent Tax Court decision in *North Ridge Country Club v. CIR*. As you recall, this case involved similar issues as the above-referenced case.
>
> * * *

(Continued on following page)

Petitioner had a profit from its sales of food and beverages to nonmembers if only the direct costs incurred in connection with those sales are deducted from the receipts from such sales and also had a profit if a further deduction is made for fixed expenses on a use of space allocation. The fixed costs which petitioner deducted to arrive at the loss for tax purposes were costs which the club would have to pay whether or not it had sales to nonmembers, allocated on a basis of total nonmember sales as compared to total member sales.[10]

(Continued from previous page)

At present, I do not think additional argument need be made in the Portland Golf Club case other than to say that we concur with the decision in *North Ridge Country Club* and its rationale.

If, upon reflection, I think further argument would clarify any issue of our case in light of the *North Ridge Country Club* case, I would petition the court for leave to file a supplemental brief.

A copy of petitioner's letter to the Court with its attachment was sent to respondent's counsel but respondent's counsel did not request that he be permitted to file any further brief in an attempt to distinguish the *North Ridge Country Club* case from the instant case.

[10] Since food and beverages sold to nonmembers were sold at prices in excess of food and beverages sold to members this result is not surprising but rather might well be anticipated. Respondent has stipulated in this case, however, that this method of allocation is proper and acceptable in computing petitioner's unrelated business taxable income from food and beverage sales. We therefore have not considered whether the facts in this case support such an expense allocation in arriving at income or loss from nonmember food and beverage sales for income tax purposes.

We held on the facts in *North Ridge Country Club v. Commissioner, supra*, that the taxpayer did have a profit motive in its nonmember food and beverage sales activity. Clearly in this case, petitioner likewise had a profit motive in its nonmember food and beverage sales activity. It did intend to make a profit, and did make a profit between the amount received from sales to nonmembers and the costs related to those sales which would not have been incurred absent those sales.[11] It is only by allocating a part of the expenses which petitioner would have in all events incurred on a sales ratio basis, permitted by respondent, to the sales to nonmembers, that a loss results.

In *North Ridge Country Club v. Commissioner, supra*, we stated with respect to respondent's argument that profit motive on any allocation of fixed expenses other than the allocation method used on the taxpayer's returns was immaterial in determining the taxpayer's profit motive as follows (89 T.C. at 572-573):

> Respondent contends, however, that we must look to *taxable* income in order to determine whether there is profit motivation. He argues that since petitioner is allowed to deduct an allocable portion of the fixed or indirect costs

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[11] We have not ignored respondent's statement that this is not a fact for petitioner's fiscal year 1981. However respondent bases this statement on a schedule in petitioner's Form 990-T for its fiscal year 1981 which did not properly segregate costs which would not have been incurred absent the nonmember sales from other costs. The evidence clearly shows that petitioner had income from nonmember sales based on deducting from such sales only expenses which would not have been incurred absent such sales and respondent does not seriously contend to the contrary.

in arriving at unrelated business taxable income, petitioner should also be required to take these costs into consideration in regard to determining profit motivation. Petitioner is, in effect, says respondent, having it both ways. While there is a certain pleasing symmetry to respondent's argument, we do not believe it to be determinative of the question before us.[18] The record as a whole makes it apparent that petitioner was seeking profit from these activities and we so hold.

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[18] We note that it is respondent who allows the deduction of the indirect fixed costs against the nonexempt income; costs which otherwise would be borne in their entirety by the club membership.

Respondent argues that to permit petitioner to offset the loss from its nonmember sales of food and beverages computed in accordance with respondent's proposed regulations against other unrelated business taxable income, in effect, permits petitioner to use these nonmember activities to cause its dues, assessments, and meal costs to its members to be less. It is respondent's position that it was to avoid such a result that Congress enacted the special provision with respect to unrelated business taxable income for social clubs exempt from tax under Section 501(c)(7). This same argument was made by respondent in *North Ridge Country Club v. Commissioner, supra,* and was rejected. * * * Likewise respondent's reliance on *Ye Mystic Krewe of Gasparilla v. Commissioner,* 80 T.C. 755 (1983), is misplaced. The facts in that case differ substantially from the facts in the instant case. In that case as we explained in *North Ridge Country Club v. Commissioner, supra,* we held that the taxpayer could not offset

its expenses of staging a mock invasion of Tampa and a parade, its exempt activities, against concession income which it received, since the expenses of staging an invasion and parade were not directly connected with the production of the concession income within the meaning of Section 512(a)(3)(A). We pointed out that the taxpayer in *Ye Mystic Krewe of Gasparilla v. Commissioner, supra,* received only the net income from the concessions and logbook sales so that its expenses with respect to these sales had already been deducted from the gross proceeds and that, therefore, the gross proceeds constituted unrelated business taxable income.

In this case, as in the *North Ridge Country Club* case, petitioner's activities with respect to sales of food and beverages to nonmembers results in a loss when the costs related thereto including a pro rata part of fixed expenses (computed by a method respondent agrees is acceptable) are considered.

In our view there is no distinction between the instant case and the situation we considered in *North Ridge Country Club v. Commissioner, supra,* a Court-reviewed case. Based on our reasoning and holding in that case, and for the reasons set forth herein, we hold that petitioner is entitled to offset its unrelated business taxable income from interest by its loss from its nonmember food and beverage sales computed by allocating a portion of its fixed expenses to the nonmember food and beverage

sales activity in a manner which respondent agrees is acceptable.[12]

Decision will be entered for the petitioner.

[12] Respondent does not argue in this case as he did in *North Ridge Country Club v. Commissioner*, 89 T.C. 563 (1987), that petitioner is not entitled to offset a loss from one of its unrelated business taxable income activities against a profit from another such activity. Here respondent only argues that the loss from petitioner's nonmember food and beverage sales should not be offset against the interest unrelated business taxable income because the nonmember food and beverage sales activity was not engaged in with a profit motive. Since we have concluded that the activity was engaged in with a profit motive, we do not need to consider further, based on respondent's argument, whether the excess of expenses over income from the nonmember sales of food and beverages may be deducted from the interest income received by petitioner.

UNITED STATES TAX COURT

PORTLAND GOLF CLUB Petitioner-Appellee	)	
v.	)	Docket No.
COMMISSIONER OF INTERNAL REVENUE Respondent-Appellant	)	13436-85

NOTICE OF APPEAL

Notice is hereby given that the Commissioner of Internal Revenue appeals to the United States Court of Appeals for the Ninth Circuit from the decision of this court entered on the above-captioned proceeding on the second day of March, 1988.

Petitioner's principal place of activity and business at the time it filed its petition was in Portland, Oregon. Accordingly, appellate venue is properly placed with the United States Court of Appeals for the Ninth Circuit.

Dated: 27 May, 1988

/s/ William S. Rose, Jr.
WILLIAM S. ROSE, JR.
Assistant Attorney General
Department of Justice

/s/ William F. Nelson
WILLIAM F. NELSON
Chief Counsel
Internal Revenue Service

Filed June 1, 1989
Cathy A. Catterson, Clerk
U.S. Court of Appeals

NOT FOR PUBLICATION

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

PORTLAND GOLF CLUB,
Petitioner-Appellee,

v.

COMMISSIONER INTERNAL REVENUE SERVICE,
Respondent-Appellant.

No. 88-7218
Tax Ct. No. 13436-85
MEMORANDUM*

Appeal from a Decision of the
Tax Court of the United States

Argued and Submitted March 6, 1989
Portland, Oregon

Before: CANBY, THOMPSON, and LEAVY, Circuit Judges.

In *North Ridge Country Club v. C.I.R.*, we recently held that a social club's losses from a non-member activity are not deductible under I.R.C. § 512(a) unless that activity was entered into with the intent of producing gains in excess of direct costs (costs related to the non-member activity) and indirect costs (overhead and other fixed expenses). In so doing, we reversed the tax court's

*This disposition is not appropriate for publication and may not be cited to or by the courts of this circuit except as provided by Ninth Circuit Rule 36-3.

decision, since we concluded the court applied the wrong legal standards for profit under Section 512(a).

The tax court decided this case by applying the same standards we rejected in *North Ridge*. Because Portland Golf Club could have reported gains in excess of direct and indirect costs, but did not do so, relying on a method of allocation stipulated to be reasonable by the Commissioner, we REMAND this case to the tax court for a determination of whether Portland Golf Club engaged in its non-member activities with the intent required under *North Ridge* to deduct its losses from those activities.

REMANDED.

UNITED STATES COURT OF APPEALS
For the Ninth Circuit

PORTLAND GOLF CLUB, Petitioner-Appellee,	)	CA No. 88-7218 Tax Ct No. 13436-85
v.	)	
COMMISSIONER INTERNAL REVENUE SERVICE Respondent-Appellant	)	**JUDGMENT** MANDATE ISSUED Jun 23, 1989

Upon Petition to Review a Decision of the Tax Court of the United States, ___

This Cause came on to be heard on the Transcript of the Record from the Tax Court of the United States, ___

___and was duly submitted.

On Consideration Whereof, it is now here ordered and adjudged by this Court, that the ___ Decision of the said Tax Court of the United States in this Cause be, and hereby is *REMENDED*

Filed and entered *June 1, 1989*

SUPREME COURT OF THE UNITED STATES
OFFICE OF THE CLERK
WASHINGTON, D. C. 20543

January 16, 1990

Mr. Leonard J. Henzke
Lehrfeld, Canter & Henzke
Ste. 403, 1101 CT Avenue, N.W.
Washington, DC 20036

Re: Portland Golf Club
v. Commissioner of Internal Revenue
No. 89-530

Dear Mr. Henzke:

The Court today entered the following order in the above entitled case:

The petition for a writ of certiorari is granted.

Very truly yours,
/s/ Joseph F. Spaniol, Jr.
Joseph F. Spaniol, Jr., Clerk

Internal Revenue Service
Regional Commissioner

Department of the Treasury
AP:PO:90D:AB:MH

Date: FEB 19 1985

93-0256880

Tax Year Ended and Deficiency:

September 30, 1980	$1,828.00
September 30, 1981	$3,470.00

Portland Golf Club
5900 S. W. Scholls Ferry Rd.
Portland, Oregon 97225

Person to Contact:
Arnold L. Barritt
Contact Telephone Number:
(503) 294-5028

48

Gentlemen:

We have determined that there is a deficiency (increase) in your income tax as shown above. This letter is a NOTICE OF DEFICIENCY sent to you as required by law. The enclosed statement shows how we figured the deficiency.

If you want to contest this determination in court before making any payment, you have 90 days from the above mailing date of this letter (150 days if addressed to you outside of the United States) to file a petition with the United States Tax Court for a redetermination of the amount of your tax. The petition should be filed with the United States Tax Court, 400 Second Street NW., Washington, D.C. 20217, and the copy of this letter should be attached to the petition. The time in which you must file a petition with the Court (90 or 150 days as the case may be) is fixed by law and the Court cannot consider your case if your petition is filed late. If this letter is addressed to both a husband and wife, and both want to petition the Tax Court, both must sign the petition or each must file a separate, signed petition. You can get a copy of the rules for filing a petition by writing to the Clerk of the United States Tax Court, at the address shown in this paragraph.

If you decide not to file a petition with the Tax Court, we would appreciate it if you would sign and return the enclosed waiver form. This will permit us to charge your account quickly and will limit the accumulation of interest. The enclosed addressed envelope is for your convenience. If you decide not to sign and return the waiver and you do not timely petition the Tax Court, the law requires us to bill you after 90 days from the above mailing date of this letter (150 days if this letter is addressed to you outside the United States).

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Roscoe L. Egger, Jr.
Commissioner
By
Jackson S. Kohagura
Associate Chief
Appeals Office

EXHIBIT A

Enclosures:
Copy of this letter
Statement
Waiver
Envelope
cc: Allen B. Bush
1500 SW First, Suite 800, Portland, OR 97201-5856

EXHIBIT NO. _____

Form 4089 (Rev. May 1982)	Department of the Treasury – Internal Revenue Service **Notice of Deficiency-Waiver**	Symbols AP:PO:90D:AB:MH

Name, SSN or EIN, and Address of Taxpayer(s)

Portland Golf Club
5900 S. W. Scholls Ferry Road
Portland, Oregon 97225

EIN: 93-0256880

Kind of Tax	[X] Copy to Authorized Representative	
Income	Allen B. Bush, Attorney at Law 729 S. W. Alder, Suite 600 Portland, Oregon 97205	

Taxable Year Ended	Deficiency	
	Increase in Tax	Penalties
September 30, 1980	$1,828.00	
September 30, 1981	$3,470.00	

See the attached explanation for the above deficiencies

I consent to the immediate assessment and collection of the deficiencies (increase in tax and penalties) shown above, plus any interest provided by law.

Your Signature	▶	(Date signed) .....
Spouse's Signature, If A Joint Return Was Filed	▶	(Date signed) .....
Taxpayer's Representative Sign Here	▶	(Date signed) .....
Corporate Name:	Portland Golf Club	
Corporate Officers Sign Here	▶ ..... (Signature) (Title)	(Date signed) .....
	▶ ..... (Signature) (Title)	(Date signed) .....

Note:

If you consent to the assessment of the amounts shown in this waiver, please sign and return it in order to limit the accumulation of interest and expedite our bill to you. Your consent will not prevent you from filing a claim for refund (after you have paid the tax) if you later believe you are entitled to a refund. It will not prevent us from later determining, if necessary, that you owe additional tax; nor will it extend the time provided by law for either action.

If you later file a claim and the Internal Revenue Service disallows it, you may file suit for refund in a district court or in the United States Court of Claims, but you may not file a petition with the United States Tax Court.

Who Must Sign

If this waiver is for any year(s) for which you filed a joint return, both you and your spouse must sign the original and duplicate of this form. Sign your name exactly as it appears on the return. If you are acting under power of attorney for your spouse, you may sign as agent for him or her.

For an agent or attorney acting under a power of attorney, a power of attorney must be sent with this form if not previously filed.

For a person acting in a fiduciary capacity (executor, administrator, trustee), file Form 56, Notice Concerning Fiduciary Relationship, with this form if not previously filed.

For a corporation, enter the name of the corporation followed by the signature and title of the officer(s) authorized to sign.

If you agree, please sign one copy and return it; keep the other copy for your records.

Form 5278 (Rev. May 1982) | Department of the Treasury – Internal Revenue Service

Statement — Income Tax Changes

Return Form No. 990-T | Schedule No. 1

Name(s) of Taxpayer(s)

Portland Golf Club

☒ Notice of Deficiency ☐ Other (specify)
☐ Settlement Computation

	Tax Years Ended		
1. Adjustments to income	9/30/80	9/30/81	
a. Loss on Food and Beverage Sales	28,433.00	69,608.00	
b. Net Operating Loss Deduction	156,987.00	199,098.00	
c. Interest Income	11,752.00	21,414.00	
d. Specific Deduction	(1,000.00)	(1,000.00)	
e.			
f.			
g.			
2. Total adjustments	196,172.00	289,120.00	
3. a. ☒ Taxable income ☐ Adjusted gross income ☐ Tax table income b. As shown in: ☐ Preliminary letter dated ____ ☐ Notice of deficiency dated ____ ☒ Return as filed	(185,420.00)	(268,706.00)	
4. ☒ Taxable income as revised ☐ Adjusted gross income as revised ☐ Tax table income as revised	10,752.00	20,414.00	
5. Tax from ☐ Tables ☐ Schedule TC ☐ Tax rate schedules	1,828.00	3,470.00	
6. Alternative tax if applicable (from page ____)			
7. Corrected tax liability (lesser of line 5 or 6)	1,828.00	3,470.00	
8. Less credits (specify) a.			
b.			
c.			
9. Balance (line 7 less amounts on lines 8a through 8c)	1,828.00	3,470.00	
10. Plus a. Tax from recomputing prior year investment credit			
b. Self-employment tax			
c.			
11. Total corrected income tax liability (line 9 plus amounts on lines 10a through 10c)	1,828.00	3,470.00	
12. Total tax shown on return or as previously adjusted	0	0	
13. Increase or (decrease) in tax (difference between lines 11 and 12)	1,828.00	3,470.00	
14. Additions to the tax (listed below)			

* U.S. GOVERNMENT PRINTING OFFICE: 1982-381-543/5235

1(a) During the taxable years ending September 30, 1980 and September 30, 1981 sales of food and beverages to nonmembers resulted in losses of $28,433.00 and $69,608.00, respectively. Food and beverages are being sold to nonmembers at prices insufficient to recover the costs of such sales. These sales have consistently, over a number of years, only resulted in losses. Consequently, it is determined that such sales are not profit motivated and any net loss cannot be deducted in computing unrelated business taxable income. Accordingly, unrelated business taxable income is increased $28,433.00 and $69,608.00 for the taxable years ending September 30, 1980 and September 30, 1981, respectively.

1(b) Food and beverages are being sold to nonmembers at prices insufficient to recover the costs of such sales. These sales have consistently, over a number of years, only resulted in losses. Net operating loss carryovers of $156,987.00 and $199,098.00 were claimed as deductions for the taxable years ending September 30, 1980 and September 30, 1981, respectively. It is determined that such sales are not profit motivated and any net loss, including any net operating loss carryover, cannot be deducted in computing unrelated business taxable income. Accordingly, unrelated business taxable income is increased $156,987.00 and $199,098.00 for the taxable years ending September 30, 1980 and September 30, 1981, respectively.

1(c) It is determined that interest income in the amounts of $11,752.00 and $21,414.00 was received for the taxable years ending September 30, 1980 and September 30, 1981, respectively. Interest income is not exempt function income and is included in computing unrelated business taxable income. Accordingly, unrelated business taxable income is increased $11,752.00 and $21,414.00 for the taxable years ending September 30, 1980 and September 30, 1981, respectively.

1(d) The specific deduction of $1,000.00 provided by Section 512(b)(12) of the Internal Revenue Code is being allowed. Accordingly, unrelated business taxable income is decreased $1,000.00 for the taxable years ending September 30, 1980 and September 30, 1981, respectively.

[f 265] 125 1-80

Form **990-T**

Department of the Treasury
Internal Revenue Service

Exempt Organization Business Income Tax Return

(Under Section 511 of the Internal Revenue Code)

For the calendar year of 1979 or fiscal year beginning NOVEMBER 1, 1979, and ending SEPTEMBER 30, 1980

1283

1979

Name of organization: PORTLAND GOLF CLUB 29347200 10001

Address (number and street): 5900 S.W. Scholls Ferry Road

City or town, State, and ZIP code: Portland, Oregon 97225

A Employer identification number (employees' trust see instruction K): 93 0256880

B Enter unrelated business activity codes from page 10 of instructions

C Check box if address changed ▶ ☐

D Exempt under section ▶ 501 (C) (7)

E Check applicable box ▶ ☐ Corporation ☐ Trust

F Group exemption number (see Specific Instructions) ▶

Complete only page 1 and sign return on page 4 if unrelated trade or business gross income is $10,000 or less.
Complete all applicable parts of the form (except lines 1 thru 5) if unrelated trade or business gross income is over $10,000.

Unrelated Business Taxable Income Computation—When Unrelated Trade or Business Gross Income is $10,000 or Less

1	Unrelated trade or business gross income. (State sources .....)	
2	Minus deductions	
3	Unrelated business taxable income before specific deduction	
4	Minus specific deduction (see General Instruction O(4))	
5	Unrelated business taxable income	

Tax Computation

Organizations Taxable as Corporations (See General Instruction B(1))

6	Unrelated business taxable income (line 5 above, or line 33, page 2)	(185,420)
7	Enter the smaller of line 6 or $25,000. (Members of a controlled group, see page 8 of instructions.)	
8	Line 6 minus line 7	
9	Enter the smaller of line 8 or $25,000. (Members of a controlled group, see page 8 of instructions.)	
10	Line 8 minus line 9	
11	Enter the smaller of line 10 or $25,000. (Members of a controlled group, see page 8 of instructions.)	
12	Line 10 minus line 11	
13	Enter the smaller of line 12 or $25,000. (Members of a controlled group, see page 8 of instructions.)	
14	Line 12 minus line 13	
15	17% of line 7	
16	20% of line 9	
17	30% of line 11	
18	40% of line 13	
19	46% of line 14	
20	Income tax (add lines 15 through 19). Check here ☐ if alternative tax from Schedule D is used	NONE

Trusts Taxable at Trust Rates (See General Instruction B(2)) (Section 401(a) Trust Check Here ▶ ☐)

21	Enter here and on line 22 the smaller of— The tax on amount shown on line 5 above or line 33, page 2 (from Tax Rate Schedule on page 9 of instructions)	NONE
22	Income tax (from line 20 or 21, whichever is applicable)	NONE

Total Income Tax

23	(a) Foreign tax credit (corporations attach Form 1118, trusts attach Form 1116)		
	(b) Investment credit (attach Form 3468 and/or Schedule B (Form 3468))		
	(c) Work incentive (WIN) credit (attach Form 4874)		
24	Total (add lines 23(a), (b), and (c))		
25	Line 22 minus line 24		NONE
26	Tax from recomputing a prior year investment credit (attach Form 4255)		
27	Tax from recomputing a prior year WIN credit (see page 9 of instructions—attach computation)		
28	Minimum tax on tax preference items (see page 9 of instructions—attach Form 4626)		
29	Alternative minimum tax (see Specific Instructions for line 29—attach Form 6251)		
30	Total tax (add lines 25 through 29)		NONE
31	Credits (a) Tax deposited with Form 7004		
	(b) Tax deposited with Form 7005 (attach copy)		
	(c) Foreign organizations—Tax paid or withheld at the source (see instructions)		
	(d) Credit from regulated investment companies (attach Form 2439)		
	(e) Federal tax on special fuels and oils (attach Form 4136)	110	110
32	TAX DUE (line 30 minus line 31). See General Instruction G for depositary method of payment ▶		
33	OVERPAYMENT TO BE REFUNDED (line 31 minus line 30) ▶		110

EXHIBIT NO. [f 265]

Unrelated Business Taxable Income Computation

Unrelated Trade or Business Income	
1 Gross receipts or gross sales ....., minus returns and allowances ..... Balance ▶	85,647
2 Minus: Cost of goods sold (Schedule A) and/or operations (Schedule B)	84,000
3 Gross profit	1,647
4 (a) Capital gain net income—(attach separate Schedule D)	
(b) Net gain or (loss) from Part II, Form 4797 (attach copy)	
(c) Capital loss deduction for trusts	
5 Income or (loss) from partnerships (attach statement)	
6 Rent income (Schedule C)	
7 Unrelated debt-financed income (Schedule E)	
8 Investment income of a 501(c)(7) or (9) organization (Schedule F)	
9 Interest, annuities, royalties, and rents from controlled organizations (Schedule G)	
10 Exploited exempt activity income (Schedule H)	
11 Advertising income (Schedule I, Part III, Column A)	
12 Other income (see page 7 of instructions—attach schedule)	
13 TOTAL unrelated trade or business income (add lines 3 through 12)	1,647
Deductions Not Taken Elsewhere	
(Except for contributions, deductions must be directly connected with the unrelated business income)	
14 Compensation of officers, directors and trustees (Schedule J)	
15 Salaries and wages....., minus WIN credit ..... Balance ▶	8,634
16 Repairs (see instructions)	1,219
17 Bad debts (see instructions)	
18 Interest (attach schedule)	50
19 Taxes Property & payroll	2,812
20 Contributions (see page 7 of instructions for limitations—attach schedule)	
21 Depreciation (attach Form 4562)	4,992
22 Amortization (attach schedule)	
23 Depletion	
24 (a) Contributions to deferred compensation plans (see page 8 of instructions)	
(b) Employee benefit programs (see page 8 of instructions)	
25 Other deductions (attach schedule)	12,373
26 TOTAL deductions (add lines 14 through 25)	30,080
27 Unrelated business taxable income before allowable advertising loss (line 13 minus line 26)	(28,433)
28 Minus: Advertising loss (Schedule I, Part III, Column B)	
29 Unrelated business taxable income before net operating loss deduction (line 27 minus line 28)	(28,433)
30 Minus: Net operating loss deduction (see page 8 of instructions—attach schedule)	(156,987)
31 Unrelated business taxable income before specific deduction (line 29 minus line 30)	
32 Minus: Specific deduction (see General Instruction O(4))	
33 Unrelated business taxable income (line 31 minus line 32)	(185,420)

Schedule A—COST OF GOODS SOLD (See Specific Instructions)

Method of inventory valuation (specify) ▶

1 Inventory at beginning of year	
2 Merchandise bought for manufacture or sale	
3 Salaries and wages	
4 Other costs (attach schedule)	
5 TOTAL	
6 Minus inventory at end of year	
7 Cost of goods sold (enter here and on line 2, page 2)	

Schedule B—COST OF OPERATIONS

1 Salaries and wages	
2 Other costs (to be detailed):	
(a) SEE SCHEDULE ATTACHED	
(b)	
(c)	
(d)	
(e)	
3 TOTAL (enter here and on line 2, page 2)	84,000

The books are in care of ▶ Mr. Donald Nellis Telephone number ▶ (503) 292-2651

Schedule C—RENT INCOME FROM REAL PROPERTY AND PERSONAL PROPERTY LEASED WITH REAL PROPERTY (See Specific Instructions for Line 6)

1. Description of property	2. Rent received or accrued	3. Percentage of rent attributable to personal property
		%
		%
		%

4. Complete for any item in column 3 which is more than 50%, or for any item if the rent is determined on the basis of profit or income		5. Complete for any item in column 3 which exceeds 10% and is not more than 50%		
(a) Deductions directly connected (Attach schedule)	(b) Income includible (Column 2 minus column 4(a))	(a) Gross income reportable (Column 2 × column 3)	(b) Deductions directly connected with personal property (Attach schedule)	(c) Income includible (Column 5(a) minus column 5(b))

Add 4(b) and 5(c) and enter total here and on line 6, page 2 . . . . . .

Schedule E—UNRELATED DEBT-FINANCED INCOME (See Specific Instructions for Line 7)

1. Description of debt-financed property	2. Gross income from or allocable to debt-financed property	3. Deductions directly connected with or allocable to debt-financed property	
		(a) Straight line depreciation (Attach schedule)	(b) Other deductions (Attach schedule)

4. Amount of average acquisition indebtedness on or allocable to debt-financed property (Attach schedule)	5. Average adjusted basis of or allocable to debt-financed property (Attach schedule)	6. Percentage which column 4 is of column 5	7. Gross income reportable (Column 2 × column 6)	8. Allocable deductions (Total of columns 3(a) and (b) × column 6)	9. Net income or (loss) includible (Column 7 minus column 8)
		%			
		%			
		%			

Total (enter here and on line 7, page 2) . . . . . .

Total of dividends-received deduction included in column 8 . . . . . .

Schedule F—INVESTMENT INCOME OF A 501(c)(7) OR (9) ORGANIZATION (See Specific Instructions for Line 8)

(a) Description	(b) Amount	(c) Deductions directly connected (Attach schedule)	(d) Net investment income (Column (b) minus column (c))	(e) Set Asides (Attach schedule)	(f) Balance of investment income (Column (d) minus column (e))

Total (enter here and on line 8, page 2) . . . . . .

Schedule G—INCOME (ANNUITIES, INTEREST, RENTS AND ROYALTIES) FROM CONTROLLED ORGANIZATIONS (See Specific Instructions for Line 9)

1. Name and address of controlled organization(s)	2. Gross income from controlled organization(s)	3. Deductions of controlling organization (directly connected with column 2 income) (Attach schedule)	4. Exempt controlled organizations		
			(a) Unrelated business taxable income	(b) Taxable income computed as though not exempt under section 501(c) or the amount in column (a), whichever is more	(c) Percentage which column (a) is of column (b)
					%
					%

5. Nonexempt controlled organizations			6. Gross income reportable (Column 2 × column 4(c) or column 5(c))	7. Allowable deductions (Column 3 × column 4(c) or column 5(c))	8. Net income includible (Column 6 minus column 7)
(a) Excess taxable income	(b) Taxable income or amount in column (a), whichever is more	(c) Percentage which column (a) is of column (b)			
		%			
		%			

Total (enter here and on line 9, page 2) . . . . . .

Schedule H—EXPLOITED EXEMPT ACTIVITY INCOME, OTHER THAN ADVERTISING INCOME (See Specific Instructions for Line 10)

1. Description of exploited activity	2. Gross unrelated business income from trade or business	3. Expenses directly connected with production of unrelated business income	4. Net income from unrelated trade or business (Column 2 minus column 3)	5. Gross income from activity that is not unrelated business income	6. Expenses attributable to column 5	7. Excess exempt expenses (Column 6 minus column 5 but not to exceed amount in column 4)	8. Net income includible (Column 4 minus column 7)

Total (enter here and on line 10, page 2) . . . . . .

Schedule I—ADVERTISING INCOME AND ADVERTISING LOSS (See Specific Instructions for Line 11)

Part I—Income from periodicals reported on consolidated basis

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or loss (col. 2 minus col. 3). If loss, enter in col. B, Part III. Do not complete col's. 5, 6 and 7. If gain, complete col's. 5, 6 and 7.	5. Circulation income	6. Readership costs	7. If col. 5 exceeds col. 6, enter in col. A, Part III, the gain shown in col. 4. If col. 6 exceeds col. 5, subtract col. 6 plus col. 3 from col. 5 plus col. 2. Enter gain in col. A, Part III.
Totals						

Part II—Income from periodicals reported on a separate basis

Part III—Column A—Advertising Income		Part III—Column B—Advertising Loss	
(a) Enter "consolidated periodical" and/or names of non-consolidated periodicals	(b) Enter total amount from column 4 or 7, Part I and amounts listed in cols. 4 and 7, Part II	(a) Enter "consolidated periodical" and/or names of non-consolidated periodicals	(b) Enter total amount from column 4, Part I and amounts listed in column 4, Part II
Enter total here and on line 11, page 2		Enter total here and on line 28, page 2	

Schedule J—COMPENSATION OF OFFICERS, DIRECTORS AND TRUSTEES

1. Name	2. Title	3. Time devoted to business	4. Total compensation

Total compensation of officers (enter total here and on line 14, page 2)

Schedule K—RECORD OF FEDERAL TAX DEPOSIT FORMS 503
(List deposits in order of date made—See Instruction G)

Date of deposit	Amount	Date of deposit	Amount

Date of deposit	Amount

Statements Regarding Certain Activities

	Yes	No
1 At any time during the tax year, did you have an interest in or a signature or other authority over a bank account, securities account, or other financial account in a foreign country (see instruction W)?		
2 Were you the grantor of or transferor to a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it? If "Yes," you may have to file Forms 3520, 3520-A or 926.		

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▷ Signature of officer — Date — ▷ Title (Treasurer)

Paid Preparer's Information

Preparer's signature and date ▷ 1/8/80

Check if self-employed ▶ ☐ — Preparer's social security no. [illegible]

Firm's name (or yours, if self employed) and address ▷ ERNST & WHINNEY - 3300 First National Bank Tower, Portland, Oregon

E.I. No. ▶ 34-6565596

ZIP code ▶ 97201

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Form **4562**
Department of the Treasury
Internal Revenue Service

Depreciation

▶ See instructions.
▶ Attach this form to your return.

1979

Name(s) as shown on return
PORTLAND GOLF CLUB

Identifying number
93-0256880

Use this form as an attachment to an individual, partnership, fiduciary, or corporation return.

a. Description of property	b. Date acquired	c. Cost or other basis	d. Depreciation allowed or allowable in prior years	e. Method of computing depreciation	f. Life or rate	g. Depreciation for this year
1 Total additional first-year depreciation (do not include in items below) →						
2 Depreciation from Form 4832						
3 Other depreciation:						
Buildings	VARIOUS	631,223	455,498	SL	VAR	30,265
Furniture and fixtures . . .	VARIOUS	687,106	436,751	SL	VAR	36,676
Transportation equipment . .						
Machinery and other equipment .	VARIOUS	58,710	3,006	SL	VAR	5,041
Other (Specify)						
Improvements to grounds	VARIOUS	459,530	228,250	SL	VAR	16,729
Tennis courts	VARIOUS	22,464	11,236	SL	VAR	2,058
						90,769
			ALLOCABLE TO UNRELATED BUSINESS INCOME			5.5%
						4,992
4 Totals (add amounts in columns c and g) .		1,859,033				4,992

Individual and partnership filers should include totals from line 4 on the corresponding lines of their regular depreciation schedule. Form 1120 or any of the Form 1120 series (Form 1120S, 1120F, etc.) and Form 1041 filers should attach Form 4562 to their return and enter total of line 4, column g, on appropriate depreciation expense line in "Deductions" section of return.

Instructions

(Section references are to the Internal Revenue Code unless otherwise specified.)

Note: *Information on Class Life Asset Depreciation Range (CLADR) System and the limitation of straight line depreciation method for certain boilers fueled by oil or gas is contained in Publication 534, Depreciation.*

Purpose of Form.—This form is for use by individuals estates, trusts, partnerships, and corporations to report depreciation expense claimed on their return.

Reasonable Allowance.—You may deduct a reasonable allowance for the exhaustion, wear and tear, and obsolescence of property used in a trade or business, or held to produce income. You may not take the allowance for stock in trade, inventories, land, personal assets or any property (including the allocable basis of any property) acquired with certain cost sharing payments described in section 126. To figure the allowance, write off the cost or other basis to be recovered over the expected useful life of the property.

Depreciation begins when the asset is placed in service and ends when it is retired from service. To figure the depreciation basis for personal property other than livestock, you do not have to take into account salvage value that is less than 10% of its cost or other basis. If the salvage value is more than 10%, take only the amount over 10% into account. These rules apply to property with a useful life of 3 or more years.

Depreciation Methods.—The methods of depreciation under section 167(b) are the following:

Straight Line Method.—To figure the depreciation on property for each year, divide its cost or other basis by its remaining useful life. Adjust its cost or other basis by

(Continued on back)

Form **4136**

Department of the Treasury
Internal Revenue Service

Computation of Credit for Federal Tax on Gasoline, Special Fuels, and Lubricating Oil

► Attach this form to your income tax return.

1979

23

Name (as shown on your income tax return)

PORTLAND GOLF CLUB

Social security or employer identification number

93-0256880

Part I

Type of Business Use	Gasoline, Diesel Fuel and Special Motor Fuels: Number of Gallons Used (A)	Rate of Tax (B)	Multiply Column (A) by Column (B) (C)	Lubricating Oil: Number of Gallons Used (D)	Rate of Tax (E)	Multiply Column (D) by Column (E) (F)
1 Nonhighway:						
a Farm (for farming purposes)		.02 .04 •	$		.06	$
b Commercial fishing vessel (See Instructions C.4. and D.2.(c)):						
(i) Gasoline		.02				
(ii) Diesel fuel or special fuels		.02 .04 •			.06	
c Other (specify) Unlicensed off-road vehicles	5,485	.02 .04 •	110		.06	
2 Intercity, local, and school buses (See Instruction C.3.)		.02 .04 •			.06 .06	
3 Aircraft						$
4 Totals			$			

Part II

Type of Business Use	Aviation Fuels: Fuels Other Than Gasoline (Example, Jet Fuel) Number of Gallons Used (A)	Gasoline Number of Gallons Used (B)	Rate of Tax (C)	Multiply Column (A) or (B) by Column (C) (D)
5 a Farm (for farming purposes) (Aerial applicators see instruction C.1.)			.07	$
			.04 .07 •	
b Aviation (applies only to commercial use as defined in instruction D.2.(d))			.04 .07 •	
			.07	
6 Total				$
7 Total income tax credit claimed. (Add line 4, columns (C) and (F) and line 6, column (D).) (See instruction B.)				$ 110

• Tax Rate (per gallon used)

Type of Use	Gasoline (Nonaviation Use)	Diesel Fuel and Special Motor Fuel	Aviation Fuel Gasoline
Farm (farming purposes)	4¢	2¢ or 4¢ whichever paid	4¢ or 7¢ whichever paid
Other	2¢	2¢ or 4¢ whichever paid	
Aviation (applies only to commercial use as defined in instruction D.2.(d))			4¢ or 7¢ whichever paid

Instructions

(Section references are to the Internal Revenue Code unless otherwise specified)

After December 31, 1978, gasoline, special fuels, and lubricating oil used for non-business, off-highway purposes (such as lawnmowers, snowmobiles, etc.) are not eligible for credit or refund.

Form 843 for Quarterly Tax Refund.—You may want to file a claim for a tax refund instead of a credit. To do so you must be able to claim at least $1,000 a quarter for any fuel category or lubricating oil. Use Form 843, Claim, for filing. File for any of the first three quarters of your tax year before the end of the next quarter. Show separate computations for a claim on gasoline, special fuels, and lubricating oils. Don't include gasoline or special fuels used on a farm for farming purposes. You may claim a credit only, not a refund, for tax paid on such fuel.

You may use Form 4136 as a worksheet to show your computations, and attach it to your Form 843.

Don't include on Form 4136 the credit you claim on Form 843 for any of the first three quarters of your tax year.

A. Purpose of Form 4136.—You must file this form if you claim credit for Federal excise tax on certain kinds of fuel. These include gasoline, special fuels, and lubricating oil as defined in instructions C, D, and E.

An individual, estate, trust, or corporation may file this form, but a partnership may not. However, when a partnership files Form 1065, U.S. Partnership Return of Income, it must include a statement showing:

- How many gallons of the fuels are allocated to each partner.
- The types of use, as shown in this form.

B. Year to Include the Credit Resulting from Business Use of Fuel or Oil.—When you claim a credit or refund, you must include it in your gross income to the extent it resulted in a reduction of your income

(Continued on back)

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TAX RETURN SCHEDULE

PORTLAND GOLF CLUB

Year Ended September 30, 1980

Cost of Goods Sold:

Salaries	$35,412
Food supplies	23,616
Liquor supplies	4,864
Payroll taxes	4,307
Employees' insurance	1,102
Employees' meals	1,384
Workmen's compensation insurance	1,126
Laundry	932
Electricity	1,069
Gas heat	987
Repairs & maintenance	3,401
Supplies	4,560
Cleaning	263
Cartage & hauling	295
Menus	189
Gas and oil	539
Flower & decorations	154
	$84,000

Interest:

Interest on contract payable to the University of Oregon Medical School	$ 50

Taxes:

Payroll taxes	$ 986
Property taxes	1,826
	$ 2,812

TAX RETURN SCHEDULE

PORTLAND GOLF CLUB

Year Ended September 30, 1980

Other Deductions:

Employees' meals	$ 255
Employees' insurance	284
Workmen's compensation insurance	315
Repairs and maintenance	Line 16 on 990-T
Supplies and other	1,563
Electricity	600
Gas heat	1,369
Water	237
Telephone	315
Flowers and decorations	370
Sundry	1,109
Automobiles	267
Dues	50
Directors' and committees' expense	873
Postage	367
Printing expense and members' bulletins	562
Professional services	575
Data processing	789
Laundry	268
Entertainment & tournaments	1,180
Liability insurance	1,025
	$ 12,373

Net Operating Loss Deduction:

Net operating loss for the year ending:

10/31/75	$ 11,831
10/31/76	23,302
10/31/77	57,778
10/31/78	39,943
10/31/80	24,133
	$156,987

[¶ 6271

Form 1128
(Rev. Jan. 1979)
Department of the Treasury
Internal Revenue Service

Application for Change in Accounting Period

(See instructions on page 4)

To be filed in triplicate.

Please type or print

Name: PORTLAND GOLF CLUB

Number and street: 5900 S.W. Scholls Ferry Road

City or town, State and ZIP code: Portland, Oregon 97225

Identifying number (See instructions): 93-0256880

Check one:
- ☐ Individual
- ☐ Partnership
- ☐ Corporation
- ☐ Estate or trust
- ☐ Electing small business corporation
- ☒ Tax exempt organization

SECTION A.—Applicable to All Filers

1(a) Present tax year ends: October 31

1(b) Permission is requested to change to a tax year ending: September 30

2 The above change will require a return for a short period — Beginning: November 1, 1979 — Ending: September 30, 1980

3 Return for short period will be filed with the Internal Revenue Service Center at: Ogden, Utah

4(a) Nature of your business or principal source of income: Membership Dues

4(b) Your area code and telephone number: 503-292-2651

(Continued on page 2)

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MAKE NO ENTRIES BELOW—For Internal Revenue Service Use Only

▶ Approval Action

Based solely upon the information furnished in your application, you are granted permission to make the requested change in accounting period indicated above, subject to conditions (a) through (h) below.

OCT 15 1980

Chief, Corporation Tax Branch — Date

▶ Disapproval Action

Your application cannot be approved for the following reason:

- ☐ Not timely filed. (See explanation ..... below.)
  - ( ) It was dated .....
  - ( ) It was received in envelope postmarked .....
- ☐ Prematurely filed. (See explanation 3 below.)
- ☐ No record of a timely filed application in this office. (See explanation ..... below.)

Chief, Corporation Tax Branch — Date

Person to contact ▶ Robert Halliday

Phone ▶ 202-566-6711

Symbols ▶ T:C:C:1:2

Internal Revenue Service
Washington, D.C. 20224

Conditions Applicable to Change

(a) Upon receiving approval, make the change by filing a return for the short period on or before the due date of the return, including extensions, or by the 30th day after date of approval action, whichever is later.

(b) You must close your books as of the last day of the new tax year.

(c) Attach to your short period return a statement that shows the date and symbols of the approval action and that the change is made by authority of that approval.

(d) Use an annual basis for any taxable income shown on the short period return and figure the tax in accordance with provisions of section 443(b) of the Internal Revenue Code. Make returns for subsequent tax years on the basis of the new tax year.

(e) In figuring taxable income for the short period, accrual basis taxpayers must reduce any expense covering a 12-month period (such as taxes, insurance, vacation pay, or similar expense) to an amount bearing the same ratio to the total expense as the number of months in the short period bears to 12; and deduct one-tenth of that reduction each year of a 10-year period commencing with the first tax year after the short period. Note.—*This condition is not applicable if you have consistently deducted such expenses on the ratable accrual method for Federal income tax purposes.*

(f) If there is a short-period loss exceeding $10,000 that is available for carryback to prior years, you must deduct one-tenth of the loss each year of the 10-year period, beginning with the first tax year after the short period.

(g) If there is an investment credit, work incentive (WIN) credit, etc., earned during the short period, and there is a short-period loss exceeding $10,000 that is available for carryback to prior years, you must not claim an investment credit, work incentive (WIN) credit, etc., carryback determined for that period. Instead, you must carry the credit(s) forward beginning with the first tax year after the short period. Any unused credit(s) may be carried over to each of the ten tax years following the short period.

(h) If the change in accounting period is for a corporation, it will not attempt to make an election (under section 1372(a) of the Code) to be taxed as a small business corporation, that would be effective for the tax year immediately following the short period.

Explanation of Disapproval Action

1. Section 1.442-1(b)(1) of the Income Tax Regulations provides that to secure prior approval of a change of annual accounting period you must file your application on or before the 15th day of the second calendar month following the close of the short period for which return is required.

2. Section 1.706-1(b)(4)(ii) of the Income Tax Regulations provides that where a newly formed partnership is required to obtain prior approval from the Commissioner for the adoption of a tax year, the partnership must file this application by the last day of the month following the close of the tax year to be adopted.

3. You filed the application too far in advance of the end of the short period. Please use the enclosed forms to make a new application closer to the end of the short period, when more accurate information will be available.

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SECTION A.—Applicable to All Filers (continued)

		Yes	No
5	What is your overall method of accounting? ☐ Cash receipts and disbursements ☒ Accrual ☐ Other (explain):		
6	Within the last 10 years, have you changed or requested permission to change your accounting period? . . . . . If "Yes," explain giving previous accounting period and the accounting period you changed to. If prior approval was granted, give date of letter and symbols shown on it.		X
7	Enter your taxable income* or (loss) for the three tax years immediately preceding the short period and for the short period. If necessary, estimate the amount for the short period.		

(Loss)

Third preceding year	Second preceding year	First preceding year	Short period
$ (57,778)	$ (39,943)	$ (24,133)	$ (22,122)*

* Individuals enter adjusted gross income. Partnerships enter ordinary income. Section 501(c) organizations enter amount of unrelated business taxable income.

*Estimate

8(a)	Are you a member of a partnership?		X
8(b)	Are you a beneficiary of a trust or an estate?		X
8(c)	Are you a shareholder of an electing small business corporation?		X
8(d)	If 8(a), 8(b), or 8(c) is "Yes," enter below the name, tax year, percentage of interest in capital and profits, and the amount of income received from each partnership, trust, estate, or small business corporation for the first preceding year and the short period. (Attach a separate sheet if more space is needed.)		
9	Are you a cooperative, within the meaning of, and filing under section 1381(a) of the Code?		X
10	If operations for the short period result in a (estimated) loss, show any amount available for carryback to prior years . . . . . $ NONE		
11	If you are engaged in a trade or business, enter the following for the tax year preceding the short period:		
	(a) Gross sales, if on accrual method . . . . . $		
	(b) Gross receipts, if on cash receipts and disbursements method . . . . . $		
12	If you are requesting change from a fiscal year to a calendar year, is it being made under Rev. Proc. 66-50? (See specific instructions in Section A, page 4.)		X

13 State your reasons for requesting the change. (Attach a separate sheet if more space is needed.)

SEE STATEMENT ATTACHED

SECTION B.—Estates or Trusts Only

Attach a statement showing the following information:

1 Name, social security number, address and tax year of each beneficiary and whether a beneficiary is also the grantor.

2 The taxable income of the estate or trust, the distribution deduction and the taxable amounts distributable to each beneficiary for the two tax years immediately preceding the short period and for the short period.

3 Dates during the year when distributions are made or are required to be made.

4 If you will not make distribution on these dates in the future, explain.

5 If the amount distributed or required to be distributed is not approximately the same for each period, explain.

		Yes	No
6	If the trust is a member of a Common Trust Fund, show name and tax year of that fund.		
7	Are you requesting the change under Rev. Proc. 68-41? (See specific instructions in Section B, page 4.)		

SECTION C.—Partnerships Only

1	Date business commenced. (See specific instructions in Section C, page 4.) ▶		
2	Is any partner applying for a corresponding change in accounting period?		
3	Attach a statement showing each principal partner's name, social security number, address, tax year, the percentage of interest in capital and profits, and how the interest was acquired.		
4	Transfer of partnership: Have any partners acquired their interest in partnership capital and profits within the 25 months preceding the date of this application? . . . . . If "Yes," show on attached statement the names and tax years of the partners, percentage of their interests in partnership capital and profits, and when and how those interests were acquired.		
5	Are any members of the partnership related to one another? . . . . . If "Yes," show on attached statement the names and relationships.		
6	Do the partners derive their principal gross income from the partnership? . . . . . If "No," show on attached statement the names of the partners who do not.		
7	Show on attached statement any capital gains or losses for the three tax years preceding the short period and for the short period		

Form 1128 (Rev. 1-79)

	Yes
SECTION D.—Corporations Only	
1 Date of incorporation ► April 7, 1914	
2 Is the change being made to join the parent in filing a consolidated return for the short period? If "Yes," see specific instructions in Section D, page 4	
3 Are you a member of an affiliated group filing a consolidated return? If "Yes," and if you are required to file this form, attach a statement showing (a) the name and address used on the consolidated return, the tax year and the Internal Revenue Service Center where you filed the return; and (b) the name and address of each member of the affiliated group. Designate the parent corporation and the taxable income or (loss) of each member for the three tax years preceding the short period and for the short period.	
4 Did the corporation pay any dividends to its shareholders during the short period?	
If "Yes," furnish the following information:	
(a) Taxable dividends $	
(b) Nontaxable dividends $	
(c) Total dividends $	
SECTION E.—Electing Small Business Corporations Only	
1 Date of election ►	
2 Enter the total amount treated as long-term capital gain in the short period $	
3 Attach a statement showing the name, address, tax year, and the percentage of ownership of each shareholder.	
4 Do the shareholders derive their principal gross income from the electing small business corporation? If "No," show on attached statement the names of the shareholders who do not.	
SECTION F.—Tax Exempt Organizations Only	
1 Form of organization. [X] Corporation [ ] Trust [ ] Other (Specify) ►	
2 Date of organization ► April 7, 1914	
3 Section of Code under which you are recognized as exempt ► 501(c)7	X
4 Have you been ruled to be tax exempt? If "Yes," enter date of ruling letter and the symbols on it ► 1941 - Symbols not available	X
5 (a) Are you required to file an annual return on Form 990 or Form 990-PF?	
(b) Are you requesting the change under Rev. Procs. 76-9 or 76-10? (See specific instructions in Section F, page 4.)	
(c) If a private foundation, are you terminating your status under section 507 of the Code?	
6 Are you required to file an annual return on Form 990-C, Form 990-T, or Form 1120-POL?	X

Signature

Under penalties of perjury, I declare that I have examined this application (including any accompanying schedules and statements), a the best of my knowledge and belief it is true, correct, and complete. Declaration of preparer (other than applicant) is based on all inf tion of which preparer has any knowledge.

Individual's signature — Date

Spouse's signature — Date

PORTLAND GOLF CLUB, INC
Partnership, corporate, estate or trust name

Official's signature — CLUB TREASURER (Title) — 9/30/80 (Date)

(DONALD O. HELLIS')

Signature of individual or firm preparing the Application (see General Instructions on page 4) — Date

ERNST & WHINNEY - 3300 First National Bank Tower, Portland, OR 97201

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PORTLAND GOLF CLUB

APPLICATION FOR CHANGE IN ACCOUNTING PERIOD

September 30, 1980

REASON FOR REQUESTING THE CHANGE:

Because of weather conditions in the Northwest, club usage by members will substantially decrease after September. The reduced activity after September will facilitate more effective utilization of our personnel in the operation of closing our books. Additionally, the new year-end will facilitate more meaningful information for management and members in planning the coming year. Furthermore, the majority of similar organizations in the area have September year-ends. Adoption of a similar fiscal year-end will permit easier comparison with the operating figures of these organizations.

It should be noted that except for the anticipated short period loss on unrelated business income, the applicant would qualify for an automatic change in year-ends. The applicant has historically generated losses in its unrelated business income which constitutes only 4% of its gross receipts. These losses are generated prorata throughout the year and the requested change should not accelerate losses or create taxable income eligible for offset by prior net operating losses.

As the applicant has always generated losses on its unrelated business income, the anticipated short period loss would not be eligible for carryback to prior years.

Form 990-T
Department of the Treasury
Internal Revenue Service

Tax Return (Under Section 511 of the Internal Revenue Code)

For calendar year 1980 or fiscal year beginning OCTOBER 1, 1980, and ending SEPTEMBER 30, 1981

1980

Name of organization: PORTLAND GOLF CLUB 29347200 10000

Address (number and street): 5900 S.W. Scholls Ferry Road

City or town, State, and ZIP code: Portland, Oregon 97225

A Employer identification number (employees' trust see instruction for Block A): 93 | 0256880

B Enter unrelated business activity codes from page 8 of instructions

C Check box if address changed . . . . . ▶ ☐

D Exempt under section . . . . . ▶ 501 (C)(7)

E Check applicable box . . . ▶ ☒ Corporation ☐ Trust

F Group exemption number (see instructions for Block F) ▶

Complete page 1, Schedule K on page 2, and sign the return if the unrelated trade or business gross income is $10,000 or less.
Complete all applicable parts of the form (except lines 1 through 5) if unrelated trade or business gross income is over $10,000.

Unrelated Business Taxable Income Computation—When Unrelated Trade or Business Gross Income is $10,000 or Less

1	Unrelated trade or business gross income. (State sources _____)	1	
2	Minus deductions	2	
3	Unrelated business taxable income before specific deduction	3	
4	Minus specific deduction (see instructions for line 32)	4	
5	Unrelated business taxable income	5	(268,706)

Tax Computation

Organizations Taxable as Corporations (See Instructions for Tax Computation)

6 (a) Are you a member of a controlled group? ☐ Yes ☒ No

(b) If "Yes," see instructions and enter your share of the $25,000 amount in each taxable income bracket:
(i) $_____ (ii) $_____ (iii) $_____ (iv) $_____

7	Income tax on amount on line 5 above, or line 33, page 2, whichever applies. Check here ▶ ☐ if alternative tax from Schedule D (Form 1120) is used	7	NONE
	Trusts Taxable at Trust Rates (See Instructions for Tax Computation) Section 401(a) trust, check here ▶ ☐		
8	Enter the tax from the tax rate schedule in instructions on amount on line 5 above, or line 33 on page 2, whichever applies	8	NONE

Total Income Tax

9	(a) Foreign tax credit (corporations attach Form 1118, trusts attach Form 1116)	9(a)			
	(b) Investment credit (attach Form 3468)	9(b)			
	(c) Work incentive (WIN) credit (attach Form 4874)	9(c)			
	(d) Other credits (see instructions)	9(d)			
10	Total (add lines 9(a) through (d))			10	
11	Subtract line 10 from line 7 or line 8			11	
12	Increase in tax from refiguring an earlier year investment credit (attach Form 4255)			12	
13	Minimum tax on tax preference items (see instructions for line 13)			13	
14	Alternative minimum tax (see instructions for line 14)			14	
15	Total tax (add lines 11 through 14)			15	
16	Credits and payments: (a) Tax deposited with Form 7004	16(a)			
	(b) Tax deposited with Form 7005 (attach copy)	16(b)			
	(c) Foreign organizations—Tax paid or withheld at the source (see instructions)	16(c)			
	(d) Credit from regulated investment companies (attach Form 2439)	16(d)			
	(e) Federal tax on special fuels and oils (attach Form 4136)	16(e)	114		
	(f) Other payments and credits (see instructions)	16(f)			
	(g) Total credits and payments (add lines 16(a) through 16(f))			16(g)	114
17	TAX DUE (Subtract line 16(g) from line 15). See instructions for depositary method of payment →			17	
18	If line 16(g) is more than line 15, enter OVERPAYMENT →			18	114

Statements Regarding Certain Activities

		Yes	No
1	At any time during the tax year, did you have an interest in or a signature or other authority over a bank account, securities account, or other financial account in a foreign country (see instructions)?		X
2	Were you the grantor of or transferor to a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it? If "Yes," you may have to file Forms 3520, 3520-A or 926.		X

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer: [signature] Date: 2/6/82 Title: Vice President

Paid Preparer's Use Only

Preparer's signature and date: [signature] 2-1-82

Check if self-employed ▶ ☐

Preparer's social security no.: J. L. ARBOW 541-62-42[illegible]

Firm's name (or yours, if self-employed) and address: ERNST & WHINNEY - 3300 First Interstate Tower, Portland, OR

E.I. No. ▶ 34-6565596

ZIP code ▶ 97201

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EXHIBIT NO. _____

Form 990-T (1980)

Unrelated Business Taxable Income Computation

Unrelated Trade or Business Income			
1 Gross receipts or gross sales ..... minus returns and allowances..... Balance ▶	1	85,586	
2 Minus: Cost of goods sold (Schedule A) and operations (attach schedule) . SEE SCHEDULE ATTACHED	2	118,055	
3 Gross profit	3	(32,469)	
4 (a) Capital gain net income (attach separate Schedule D)	4(a)		
(b) Net gain or (loss) from Part II, Form 4797 (attached)	4(b)		
(c) Capital loss deduction for trusts	4(c)		
5 Income or (loss) from partnerships (attach statement)	5		
6 Rent income (Schedule C)	6		
7 Unrelated debt-financed income (Schedule E, line 2)	7		
8 Investment income of a section 501(c)(7) or (9) organization (Schedule F)	8		
9 Interest, annuities, royalties, and rents from controlled organizations (Schedule G)	9		
10 Exploited exempt activity income (Schedule H)	10		
11 Advertising income (Schedule I, Part III, Column A)	11		
12 Other income (see instructions for line 12—attach schedule)	12		
13 TOTAL unrelated trade or business income (add lines 3 through 12)	13	(32,469)	
Deductions Not Taken Elsewhere (Except for contributions, deductions must be directly connected with the unrelated business income)			
14 Compensation of officers, directors and trustees (Schedule J)	14		
15 Salaries and wages 11,714 , minus WIN credit ..... Balance ▶	15	11,714	
16 Repairs (see instructions)	16	2,012	
17 Bad debts (see instructions)	17		
18 Interest (attach schedule)	18	46	
19 Taxes	19	3,640	
20 Contributions (see instructions for line 20)	20		
21 Depreciation (attach Form 4562)	21	5,153	
22 Amortization (attach schedule)	22		
23 Depletion	23		
24 (a) Contributions to deferred compensation plans (see instructions for line 24(a))	24(a)		
(b) Employee benefit programs (see instructions for line 24(b))	24(b)		
25 Other deductions (attach schedule)	25	14,574	
26 TOTAL deductions (add lines 14 through 25)	26	37,139	
27 Unrelated business taxable income before allowable advertising loss (subtract line 26 from line 13) . . .	27	(69,608)	
28 Minus: Advertising loss (Schedule I, Part III, Column B)	28		
29 Unrelated business taxable income before net operating loss deduction (subtract line 28 from line 27) . .	29	(69,608)	
30 Minus: Net operating loss deduction (see instructions for line 30)	30	199,098	
31 Unrelated business taxable income before specific deduction (subtract line 30 from line 29)	31	(268,706)	
32 Minus: Specific deduction (see instructions for line 32)	32		
33 Unrelated business taxable income (subtract line 32 from line 31)	33	(268,706)	

Schedule A—COST OF GOODS SOLD (See Instructions for Line 2 above)

Method of inventory valuation (specify) ▶

Inventory at beginning of year		
Merchandise bought for manufacture or sale . . .		
Salaries and wages		
Other costs (attach schedule)		
TOTAL		
Minus Inventory at end of year		
Cost of goods sold (enter here and on line 2, above) .		

Schedule K—RECORD OF FEDERAL TAX DEPOSIT FORMS 503

(List deposits in order of date made--See Instruction for line 17, page 1)

Date of deposit	Amount

Books are in care of ▶ Mr. Donald Nellis Telephone number ▶ (503) 292-2651

Schedule C—RENT INCOME FROM REAL PROPERTY AND PERSONAL PROPERTY LEASED WITH REAL PROPERTY (See Instructions for line 6 of page 2)

1. Description of property	2. Rent received or accrued	3. Percentage of rent for personal property
		%
		%
		%
		%
		%

4. Complete for any item if the entry in column 3 is more than 50%, or if the rent is based on profit or income		5. Complete for any item if the entry in column 3 is more than 10% but not more than 50%		
(a) Deductions directly connected (Attach schedule)	(b) Income includible (Column 2 minus column 4(a))	(a) Gross income reportable (Column 2 × column 3)	(b) Deductions directly connected with personal property (Attach schedule)	(c) Income includible (Column 5(a) minus column 5(b))

Add columns 4(b) and 5(c) and enter total here and on line 6, page 2 . . . . . .

Schedule E—UNRELATED DEBT-FINANCED INCOME. (See Instructions for line 7 of page 2)

1. Description of debt-financed property	2. Gross income from or allocable to debt-financed property	3. Deductions directly connected with or allocable to debt-financed property	
		(a) Straight line depreciation (Attach schedule)	(b) Other deductions (Attach schedule)
1			

4. Amount of average acquisition indebtedness on or allocable to debt financed property (Attach schedule)	5. Average adjusted basis of or allocable to debt financed property (Attach schedule)	6. Percentage which column 4 is of column 5	7. Gross income reportable (Column 2 × column 6)	8. Allocable deductions (Total of columns 3(a) and 3(b) × column 6)	9. Net income or (loss) includible (Column 7 minus column 8)
		%			
		%			
		%			
		%			

2 Total (enter here and on line 7, page 2) . . . . . .

3 Total dividends-received deductions included in column 8 . . . . . .

Schedule F—INVESTMENT INCOME OF A SECTION 501(c)(7) OR (9) ORGANIZATION (See Instructions for Line 8 of Page 2)

(a) Description	(b) Amount	(c) Deductions directly connected (Attach schedule)	(d) Net investment income (Column (b) minus column (c))	(e) Set-asides (Attach schedule)	(f) Balance of investment income (Column (d) minus column (e))

Total (enter here and on line 8, page 2) . . . . . .

Schedule G—INCOME (ANNUITIES, INTEREST, RENTS AND ROYALTIES) FROM CONTROLLED ORGANIZATIONS (See Instructions for Line 9 of Page 2)

1. Name and address of controlled organization(s)	2. Gross income from controlled organization(s)	3. Deductions of controlling organization directly connected with column 2 income (Attach schedule)	4. Exempt controlled organizations		
			(a) Unrelated business taxable income	(b) Taxable income computed as though not exempt under section 501(a) or the amount in column (a), whichever is more	(c) Percentage which column (a) is of column (b)
					%
					%
					%

5. Nonexempt controlled organizations			6. Gross income reportable (Column 2 × column 4(c) or column 5(c))	7. Allowable deductions (Column 3 × column 4(c) or column 5(c))	8. Net income includible (Column 6 minus column 7)
(a) Excess taxable income	(b) Taxable income or amount in column (a), whichever is more	(c) Percentage which column (a) is of column (b)			
		%			
		%			
		%			

Total (enter here and on line 9, page 2) . . . . . .

Schedule H—EXPLOITED EXEMPT ACTIVITY INCOME, OTHER THAN ADVERTISING INCOME
(See Instructions for Line 10 of Page 2)

1. Description of exploited activity	2. Gross unrelated business income from trade or business	3. Expenses directly connected with production of unrelated business income	4. Net income from unrelated trade or business (Column 2 minus column 3)	5. Gross income from activity that is not unrelated business income	6. Expenses attributable to column 5	7. Excess exempt expenses (Column 6 minus column 5 but not more than column 4)	8. Net income includible (Column 4 minus column 7)
Total (enter here and on line 10, page 2)							

Schedule I—ADVERTISING INCOME AND ADVERTISING LOSS (See Instructions for Line 11 of Page 2)

Part I—Income from periodicals reported on consolidated basis

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or loss (col. 2 minus col. 3). If loss, enter in col. B, Part III. Do not complete cols. 5, 6 and 7. If gain, complete cols. 5, 6 and 7.	5. Circulation income	6. Readership costs	7. If col. 5 exceeds col. 6, enter in col. A, Part III, the gain shown in col. 4. If col. 6 exceeds col. 5, subtract col. 6 plus col. 3 from col. 5 plus col. 2. Enter gain in col. A, Part III.
Totals						

Part II—Income from periodicals reported on a separate basis

Part III—Column A—Advertising Income

Enter "consolidated periodical" or names of non-consolidated periodicals	(b) Enter total amount from column 4 or 7, Part I and amounts listed in cols. 4 and 7, Part II
Enter total here and on line 11, page 2	

Part III—Column B—Advertising Loss

(a) Enter "consolidated periodical" or names of non-consolidated periodicals	(b) Enter total amount from column 4, Part I and amounts listed in column 4, Part II
Enter total here and on line 28, page 2	

Schedule J—COMPENSATION OF OFFICERS, DIRECTORS AND TRUSTEES

1. Name	2. Title	3. Time devoted to business	4. Total compensation
Total compensation of officers (enter total here and on line 14, page 2)			

Form **4136**

Department of the Treasury
Internal Revenue Service

Computation of Credit for Federal Tax on Gasoline, Special Fuels, and Lubricating Oil

► Attach this form to your income tax return.

1980

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Name (as shown on your income tax return)
PORTLAND GOLF CLUB

Social security or employer identification number
93-0256880

Part I

Type of Business Use	Gasoline, Diesel Fuel and Special Motor Fuels: Number of Gallons Used (A)	Rate of Tax (B)	Multiply Column (A) by Column (B) (C)	Lubricating Oil: Number of Gallons Used (D)	Rate of Tax (E)	Multiply Column (D) by Column (E) (F)
1 Nonhighway:						
a Farm (for farming purposes)		.02 .04 •	$		.06	$
b Commercial fishing vessel (See Instructions C.4. and D.2.(c)):						
(i) Gasoline		.02				
(ii) Diesel fuel or special fuels		.02 .04 •			.06	
c Other (specify) Unlicensed off-road vehicle	5,697	.02 .04 •	114		.06	
2 Intercity, local, and school buses (See instruction C.3.)		.02 .04 •			.06	
3 Gasoline/alcohol mixture		.04			.06	
4 Aircraft						
5 Totals			$ 114			$

Part II

Type of Business Use	Aviation Fuels: Fuels Other Than Gasoline (Example, Jet Fuel) Number of Gallons Used (A)	Gasoline Number of Gallons Used (B)	Rate of Tax (C)	Multiply Column (A) or (B) by Column (C) (D)
6 a Farm (for farming purposes) (Aerial applicators see Instruction C.1.)			.07	$
			.04 .07 •	
b Aviation (applies only to commercial use as defined in instruction D.2.(d))			.04 .07 •	
			.07	
7 Total				$
8 Total income tax credit claimed. (Add line 5, columns (C) and (F) and line 7, column (D).) (See Instruction B.)				$ 114

• Tax Rate (per gallon used)

Type of Use	Gasoline (Nonaviation Use)	Diesel Fuel and Special Motor Fuel	Aviation Fuel Gasoline
Farm (farming purposes)	4¢	2¢ or 4¢ whichever paid	4¢ or 7¢ whichever paid
Other	2¢	2¢ or 4¢ whichever paid	
Aviation (applies only to commercial use as defined in instruction D.2.(d))			4¢ or 7¢ whichever paid

Instructions

(Section references are to the Internal Revenue Code unless otherwise specified)

At the time we printed this form, Congress was considering proposals that could change the credit computation for some of the items listed on the form. If the proposals become law and apply to 1980, they must be considered in figuring your credit for 1980. We will use news media and other means available to provide you with information and instructions on any changes.

New Law.—Line 3

Beginning January 1, 1979, a taxpayer who mixed alcohol with gasoline on which the 4-cents-a-gallon Federal excise tax has been imposed is eligible for a credit or refund of the gasoline tax. The alcohol must have been made from other than petroleum, natural gas, or coal. The mixture must have included at least 10% of 190 proof alcohol and must have been sold or used in the taxpayer's trade or business.

Gasoline used in the mixture from January 1, 1979, through April 1, 1980, is considered sold or used on April 2, 1980, for purposes of claiming a refund or credit.

Form 843 for Quarterly Tax Refund.—You may want to file a claim for a tax refund instead of a credit. To do so you must be able to claim at least $1,000 ($200 for gasoline/alcohol mixture) a quarter for any fuel category or lubricating oil. Use Form 843, Claim, for filing. File for any of the first three quarters of your tax year before the end of the next quarter. Show separate computations for a claim on gasoline, special fuels, and lubricating oils. Don't include gasoline or special fuels used on a farm for farming purposes. You may claim a credit only, not a refund, for tax paid on such fuel.

You may use Form 4136 as a worksheet to show your computations, and attach it to your Form 843. Don't include on Form 4136 the credit you claim on Form 843 for any of the first three quarters of your tax year.

A. Purpose of Form 4136.—You must file this form if you claim credit for Federal excise tax on certain kinds of fuel. These include gasoline, special fuels, and lubricating oil as defined in instructions C, D, and E.

An individual, estate, trust, or corporation may file this form, but a partnership may not. However, when a partnership files Form 1065, U.S. Partnership Return of Income, it must include a statement showing:

- How many gallons of the fuels are allocated to each partner.

(Continued on back)

Form **4562**
(Rev. September 1981)
Department of the Treasury
Internal Revenue Service (O)

Depreciation

▶ See separate instructions.
▶ Attach this form to your return.

OMB No. 1545-0172
Expires 12/31/82

Name(s) as shown on return: PORTLAND GOLF CLUB

Identifying number: 93-0256880

▶ Generally, you must use the Accelerated Cost Recovery System of depreciation (ACRS) for all assets you placed in service after December 31, 1980. Report these assets in Part I, lines 1(a) through 1(f).

▶ You may elect to exclude certain property. Report this property in Part I, line 2.

▶ Use Part II for assets you placed in service before January 1, 1981, and certain other assets for which you cannot use ACRS.

▶ Filers of Schedule C (Form 1040), Schedule E (Form 1040) and Form 4835 should see the instructions for those forms before completing Form 4562.

Part I Assets placed in service after December 31, 1980

A. Class of property	B. Date placed in service	C. Cost or other basis	D. Recovery period	E. Method of figuring depreciation	F. Percentage	G. Deduction for this year
1 Accelerated Cost Recovery System (ACRS) (See instructions for grouping assets):						
(a) 3-year property	1981	11,300	3		25	2,825
(b) 5-year property	1981	41,874	5		15	6,280
(c) 10-year property						
(d) 15-year public utility property	6/01/81	28,607	15	SL	2.22	635
	7/01/81	6,610	15	SL	1.67	110
	9/01/81	10,333	15	SL	.56	58
	7/01/81	35,766	15	SL	1.67	597
(e) 15-year real property—low-income housing					TOTAL	10,505
		ALLOCABLE TO UNRELATED BUSINESS INCOME			5.02% =	527
(f) 15-year real property other than low-income housing						
2 Property subject to section 168(e)(2) election (see instructions):						
3 Totals (add amounts in columns C and G)		134,490				527
4 Depreciation from Part II, line 3						4,626
5 Total (add column G, lines 3 and 4). Enter this amount on the depreciation expense line (where it applies) of your return						5,153

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Part II Assets placed in service before January 1, 1981 and other assets not qualifying for ACRS

A. Description of property	B. Date acquired	C. Cost or other basis	D. Depreciation allowed or allowable in earlier years	E. Method of figuring depreciation	F. Life or rate	G. Depreciation for this year
1 Class Life Asset Depreciation Range (CLADR) System Depreciation					▶	
2 Other depreciation (for grouping assets, see instructions for Part II):						
Buildings	VARIOUS	631,223	485,763	SL	VAR.	27,427
Furniture and fixtures	VARIOUS	692,454	473,427	SL	VAR.	32,543
Transportation equipment						
Machinery and other equipment	VARIOUS	58,710	8,047	SL	VAR.	8,600
Other (specify)						
Gounds/course imp	VARIOUS	459,530	244,979	SL	VAR.	21,335
Tennis courts	VARIOUS	22,464	13,294	SL	VAR.	2,246
					TOTAL	92,151
		ALLOCABLE TO UNRELATED BUSINESS INCOME				5.02% = 4,626
3 Total (add amounts in column G). Enter here and in Part I, line 4						4,626

• U.S.GPO:1981-0-343-166 E10 430214328

TAX RETURN SCHEDULE
PORTLAND GOLF CLUB 93-0256880
Year Ended September 30, 1981

Cost of Goods Sold	
Salaries	$ 55,051
Food supplies	24,059
Liquor supplies	5,401
Payroll taxes	6,015
Employees' insurance	1,689
Employees' meals	1,405
Workmen's compenstaion insurance	2,019
Laundry	1,133
Electricity	2,362
Gas heat	1,103
Repairs & maintenance	7,143
Supplies	8,160
Cleaning	202
Cartage & hauling	300
Menus	109
Gas and oil	1,031
Flowers & decorations	163
Battery replacement	710
	$118,055
Taxes	
Payroll taxes	$ 1,416
Property taxes	2,224
	$ 3,640
Interest	
Interest on contract payable to the University of Oregon Medical School	$ 46

TAX RETURN SCHEDULE
PORTLAND GOLF CLUB 93-0256880
Year Ended September 30, 1981

Other Deductions		
Employees' meals		$ 342
Employees' insurance		527
Workmen's compensation insurance		445
Repairs and maintenance	Page 2, Line 16 on 990-T	
Supplies and other		1,265
Electricity		725
Gas heat		1,481
Water		483
Telephone		335
Flowers and decoration		461
Sundry		2,030
Automobile		280
Dues		115
Directors' and committees' expense		873
Postage		439
Printing expense and members' bulletins		589
Professional services		436
Data processing		630
Laundry		730
Entertainment & tournaments		1,432
Liability insurance		956
		$ 14,574

Net Operating Loss Deduction
Net operating loss deduction for the year ending:

10/31/74	$ 13,678
10/31/75	11,831
10/31/76	23,302
10/31/77	57,778
10/31/78	39,943
10/31/79	24,133
09/30/80	28,433
	$199,098

TO: Board of Directors - PGC

FROM: Finance Committee

DATE: August 12, 1981

The Finance Committee has performed a review of the club dining room operations. The purpose of this review was to determine whether the dining room operations result in a reasonable departmental income (loss) based upon menu pricing, expenses, service considerations and type of function.

Our conclusions are set forth on the attached.

Dennis T. Pixton
Committee Chairman

EXHIBIT NO. _____

Menu Pricing

In order to determine the reasonableness of menu pricing, we compared the prices of various menu items between PGC and several middle class restaurants in the area.

These comparisons are:

Lunch	High	Low	PGC
Hamburger	3.75	2.75	2.75
Steak sandwich	7.95	5.95	7.25
Clubhouse	4.25	3.25	3.25
Rueben	5.75	3.50	3.50
Chefs salad	3.95	3.50	3.50
Dinner			
New York steak	16.50	11.00	11.00
Filet mignon	16.50	9.95	10.75
Lobster tail	21.95	12.95	14.00
Chicken	8.50	6.25	8.50

Limited conclusions can be drawn from these comparisons because it is difficult to determine meal condiments, level of service, etc. However, it appears that PGC may be on the low side in terms of menu pricing.

We also reviewed the basis for menu pricing with the club manager. And we found pricing methodology to be very comprehensive and inclusive of all relevant costs. However menu pricing is based on costs at the time prices are determined and does not reflect anticipated inflationary cost increases. Also, menu pricing does not reflect relative demand among various menu items. Assuming that all items offered are appealing, excessive price spread among entrees encourages members to order lower priced items, which seem like a relative bargain, since the same service and atmosphere go along with them as with the higher-priced items. A concentration of orders among low-priced entrees is generally undesirable because they offer a smaller dollar contribution toward fixed costs and profits even though the contribution as a percentage of sales may equal that from higher-priced items.

With these two observations in mind, we have two recommendations with regard to menu pricing:

1. Menu items should be priced based upon current costs plus a factor for anticipated cost increases. For example if menu pricing is expected to be changed twice each year then a price change at any given point in time, say June 1, should be based upon costs at June 1, plus anticipated cost increases to the next price change say December 1. As an example:

Cost of New York steak dinner as of 6/1	$ 10.00
Selling price	14.00
Margin	4.00 or 40%
Anticipated inflationary effects on costs from 6/1/ to 12/1	5%
Pricing at 6/1 - 10.00 x (5% ÷ 2) =	10.25
Margin	140%
	14.35

The additional 35¢ margin assures that the profit contribution of a New York steak does not decrease as a result of inflation.

2. An analysis of sales by menu item should be made. Then, in general, the high-priced items should be made less expensive and the low-priced items should be made more expensive while maintaining quality and portions. Assuming that there is generally a higher margin among the higher-priced menu items this should result in improving the bottom line by making the more expensive (higher margin) items more price attractive while actually improving the margin of the lower-priced (lower margin) menu items. This same analysis can be extended to the bar operations. Some improvement of the bottom line can be made by marginally raising the price of beer and wine while keeping the price of the liquor drinks at the same level.

We feel that the bottom line (dining room) can be improved by as much as 10% - 15% by following these suggestions.

Expense

We compared costs between PGC and other Country Clubs in the area and between PGC and other Country Clubs in the far-west. That comparison is:

Food only % of sales	PGC 6 mos. end. 3/31/81	Columbia-Edgewater 9/30/80	Riverside 8/31/80	Oswego Lake 9/30/80	Far West 1979
Food	46%	64%	46%	52%	47%
Salaries	61	56	53	57	N/A
Other expense	15	7	14	20	N/A
Total expense	122	127	113	129	N/A
Net loss	13	27	5	29	N/A

Food and beverage % of sales	PGC	Far West
Food and bar sales	100%	100.0%
Cost of sales	46	41.7
Net income	(1)	(2.3)

From the above tables, it appears the the cost of food is somewhat lower than the average for the Portland area. Labor appears to be one area which could be subject to improvements if desired.

In our opinion, expenses are reasonable and based upon our monthly review of the club financial statements are being well controlled.

Service

Based upon the 3/18/80 survey of members, PGC members generally rate food and the food service staff as either average or above average. See excerpts below:

DINING ROOM

	TIMES PER MONTH				
	1-5	6-10	11-15	over 15	Totals
Breakfast	164	3			167 (45.8%)
Lunch	183	99	36	6	324 (88.8%)
Dinner	286	5			291 (79.8%)

Of the 365 total respondents less than one-half eat breakfast at the club and greater than 75% use the luncheon and dining facilites at least once per month. The availability of breakfast service (4 days/month) as compared to 12 days/month for dinner and 24 days/month for lunch dictates the proportionate responses. In general most repondents ate dinner only 1 time per month and lunch at least 2 to 3 times.

	TABULATION RESULTS					PERCENTAGE RESULTS					
	Above Average	Average	Fair	Poor	Totals	Above Average %	Average %	Combined Average & Above Avg. Ratings	Fair %	Poor %	Combined Fair Poor Ratings
A. FOOD											
1. Breakfast	90	107	12	2	211	42.7	50.7	[93.4]	5.7	.009	[5.8]
2. Lunch	101	195	30	5	331	30.5	58.9	[89.4]	9.1	1.5	[10.6]
3. Dinner	100	155	59	10	324	30.9	47.9	[78.7]	18.2	3.1	[21.3]
4. Private Parties	113	45	16	2	176	64.2	25.6	[89.6]	9.1	1.1	[10.2]
Totals	404	502	117	19	1042	38.8	48.2	[87.]	11.2	1.8	[13.]
B. FOOD SERVICE STAFF											
1. Efficiency	115	149	56	19	339	33.9	44.0	[77.9]	16.5	5.6	[22.1]
2. Attitude	192	123	27	2	344	55.8	35.8	[91.6]	7.8	.006	[7.9]
3. Appearance	155	158	17	2	332	46.7	47.6	[94.3]	5.1	.006	[5.2]
Totals	462	430	100	23	1015	45.5	42.3	[87.8]	9.8	2.4	[12.2]
C. BEVERAGE STAFF											
1. Efficiency	170	132	21	6	329	51.7	40.1	[91.8]	6.4	1.8	[8.2]
2. Attitude	182	132	25	3	342	53.2	38.6	[91.8]	7.3	.009	[7.4]
3. Appearance	140	155	33	9	337	41.5	46.0	[87.5]	9.8	2.7	[12.5]
Totals	492	419	79	18	1008	48.8	41.6	[90.4]	7.8	1.8	[9.6]

Overall, combined ratings of Breakfast, Lunch,Dinner and Private Parties show that 87% rate the Food Quality average to above average while 13% feel it is fair to poor.

Within this category Dinner service rates the lowest with 21.3% rating our Dinner service fair to poor.

64.2% rate our Private Dinner Parties as being above average and combining the average and above average ratings a very respectable 89.6% rating is obtained.

Combined ratings of the Food Service Staff with regards to Efficiency, Attitude, and Appearance show 87.8% rate the staff as average to above average and 12.2% feel that these three areas rate Fair to Poor.

Efficiency was rated lowest with 22.1% feeling the service (Particularly luncheon service) is fair (16.5%) to poor (5.6%). Most written comments addressed the fact that luncheon service is too slow.

Attitude and appearance of our food staff rated well with 91.6% rating attitude at average to above average and 94.3% feeling appearance was average to above average. Highest rated of these three areas was attitude at a55.8%above average rating.

These overall ratings indicate that our members perceive their food service staff to have good attitudes and a willingness to please. Service Coordination between the kitchen and Dininr Room Staff at peak periods is still a problem. Management has recently added new experienced and highly referred kitchen staff in hopes of increasing our supervisory capabilities and to back up our Chef. Also added has been a cook with baking and pastry experience thus expanding our menu selections in these two areas.

Beverage Staff was judged on Efficiency, Attitude and Appearance. Overall combined rating showed a 90.4% average and above average rating while 9.6% of the respondents rated the Beverage Service Staff fair (7.8%) to poor (1.8%). The area of concern was Appearance rating which showed that 12.5% felt appearance could be improved. Uniforms for cocktail waitresses, coincidently, have been selected and should be in use within 1 week. We actually were in the planning stages for uniforms prior to the survey and the survey results emphazized the need for improvement. Name tags are also on order for the service staff.

92% of the respondents rated the Beverage staff as average to above average in the areas of Efficiency and Attitude. Here again, the perception of attitude appears to be good.

Functions

The Club Manager has prepared an analysis of food sales by category (copy attached). The conclusion of this analysis is that the regular service, i.e., lunch/dinner service results in a substantial loss before net assessments. On the other hand, there appears to be substantial profits derived from Club parties, private parties, receptions and catering. However, the Club is reaching the point of saturation in turns accomodating special functions and private parties.

From the analysis we recommend that special events, private parties, etc., be encouraged. Also, since there are limited additional private parties, receptions, etc. that can be scheduled, we suggest that the pricing of these functions be increased so as to better reflect the worth of the service and atmosphere inherent in having the function at the Club. This, together with the previous recommendations concerning menu pricing should result in bottom line improvement.

Conclusions

Assuming that no significant improvement in food costs is available and that an improvement in labor costs is impractical for service considerations, some alternative solutions are:

A. Private-party functions

Since private-party functions generate higher average sales per patron than average sales per member, actively encourage club members to hold more private parties and receptions at PGC. Also increase the prices of private parties.

B. Increase non-member sales

Since non-members spend more than members per meal, increase the number of non-member meals served each month. One possible way to encourage increased non-member meals would be to actively encourage club members to bring in more non-members for lunches, dinners, and special functions.

C. Increase dining room assessment per member

One of the main reasons the food service operation is not profitable is that it offers a quiet atmosphere at a very reasonable price. Consequently, it is reasonable that club members pay more for this privilege if other solutions are not adopted.

D. Change pricing structure of menu.

1. Increase prices, as indicated previously. This way, members who use the food service bear more of its support.

2. Change pricing structure based on menu item popularity and relative profit margin.

It is the overall conclusion of the Finance Committee that the recommendations we have set forth above should result in improved profitability of the combined dining room and bar operations. The 1981 budget reflected a $12,055 net income as follows:

Dining room loss	$50,875
Bar Profit	62,930
	$12,055

Based upon 1981 operations to date, it appears that the actual net income will be closer to $20,000 as follows:

Dining room loss	$43,287
Bar profit	64,581
	$21,294

Accordingly, we suggest that the Board of Directors and General Manager undertake a [redacted] program based upon our recommendations that would result in net dining room/bar income of $20,000 in 1982. This program will be monitored and reviewed annually with the ultimate goal being a break-even financial picture for the dining room.

FOOD SALES ANALYSIS

June 1, 1980 through May 31, 1981

	FOOD SALES	OTHER SALES (ROOM RENTALS)	TOTAL SALES FOOD AND OTHER	PERCENT OF TOTAL SALES $503,101	NUMBER OF PEOPLE SERVED (COVERS)	AVERAGE CHECK TOTAL
Regular lunch	$116,881	N/A	$116,881	23.2%	36,597	$ 3.19
Regular dinner	93,601	N/A	93,601	18.6	9,353	10.01
Club special lunches	18,014	N/A	18,014	3.6	3,580	5.03
Club special dinners	52,601	N/A	52,601	10.5	4,814	10.93
P. party lunches	24,111	N/A	24,111	4.8	4,318	5.58
P. party dinners	82,533	N/A	82,533	16.4	5,279	15.63
Receptions	64,496	$24,229	88,725	17.6	10,291	8.62
Catering	7,627	N/A	7,627	1.5	1,016	7.50
A-frame/snack bar	8,588	N/A	8,588	1.7	N/A	-
Misc. charges (Pro-am, etc.)	1,523	N/A	1,523	.3	N/A	-
SPECIAL EVENTS						
1980 Jrs. State Champ.	2,917	N/A	2,917		N/A	-
CWAA Golferoo	1,567	N/A	1,567	1.8	144	10.88
Mgrs.-Directors Dinner	5,624	N/A	5,624		296	19.00
(less misc. adjustments)	(1,211)	N/A	(1,211)		N/A	-
GRAND TOTALS	$478,872	+ $24,229	= $503,101	100.0%	75,688	$ 6.65

COMPARISON

REGULAR SERVICE vs. CLUB PARTIES, PRIVATE PARTIES, RECEPTIONS, CATERING, OTHER

	12 Months Ended May 1981 Regular Service Lunch/Dinner	12 Months Ended May 81 Club Parties Private Parties, Receptions, Catering	TOTAL 12 Months Ended May 81 All Said Categories
INCOME:			
Food sales	$ 210,482	$ 268,390	$ 478,872
Other sales	-	24,229	24,229
Total sales	210,482	292,619	503,101
EXPENSES:			
Labor	$ 184,321	$ 34,096	$ 218,417
Meals	9,906	1,092	10,998
Payroll taxes	22,805	7,523	30,328
Workman's comp.	5,306	2,809	8,115
Blue Cross	5,323	2,599	7,992
Sub total	227,661	48,119	275,780
Food Cost	103,136 (40.0%)	120,076 (44.7%)	223,313 46.6%
Total labor and food expenses	(330,797)	(168,195)	(498,992)
Sub total + (-) before other expenses	(120,315)	+124,424	+ 4,109
Other expenses allocated by percent of people served	(43,117)	(26,992)	(70,109)
Profit (loss) from operations before assessment	(163,432)	+ 97,432	(66,000)
Assessment	N/A	N/A	24,429
Net profit (loss) after assessment			(41,571)

REGULAR SERVICE LABOR ANALYSIS

LABOR AMOUNT BEFORE TAXES AND FRINGE

WEEKLY BASIS - MENU LUNCHES AND DINNERS ONLY

DAY OF WEEK (TYPE OF SERVICE)	KITCHEN LUNCH LABOR	KITCHEN DINNER LABOR	DINING ROOM LUNCH LABOR	DINING ROOM DINNER LABOR	TOTAL DAILY LABOR	AVERAGE DAILY FOOD SALES
TUESDAY	$ 213.00	CLOSED	$ 266.00	CLOSED	$ 439.00	$L= $ 405.00
WEDNESDAY	215.00	$ 199.00	237.00	$ 187.00	838.00	L=442.00 D=511.00 = 953.00
(2-ball buffet)		206.00		178.00	836.00	L=442.00 D=1,210.00 = 1,652.00
THURSDAY	284.00	CLOSED	237.00	CLOSED	521.00	L= 354.00
FRIDAY	215.00	199.00	226.00	194.00	834.00	L=358.00 D=570.00 = 928.00
SATURDAY	220.00	CLOSED	165.00	CLOSED	385.00	295.00
SUNDAY	172.00	181.00	246.00	180.00	779.00	L=415.00 D=656.00 = 1,071.00
(Buffet service)		233.00		187.00	838.00	L=415.00 D=1,141.00 = 1,556.00
MONDAY	CLOSED	CLOSED	CLOSED	CLOSED	CLOSED	CLOSED
	1,319.00	Regular Dinner 579.00	1,337.00	Regular 561.00	Weekly 3,796.00	$4,006.00
WEEKLY TOTALS	$1,319.00	Sunday Buffet 2-balls $ 638.00	$1,337.00	Sunday Buffet 2-balls $ 559.00	$3,853.00	$ 5,190.00
	$1,319.00	Sunday Buffet $ 631.00	$1,337.00	Sunday Buffet $ 568.00	$3,855.00	$ 4,491.00

ANNUAL LABOR COST

LABOR	$DAILY LABOR	X	NUMBER OF DAYS SERVED	=	TOTAL LABOR/DAY/YEAR	REGULAR FOOD SALES
TUESDAY	439	X	50		$ 21,950	$ 20,250
WEDNESDAY REGULAR LUNCH	452	X	52		23,504	22,984
WEDNESDAY REGULAR DINNER	386	X	37		14,282	18,907
WEDNESDAY 2-BALL DINNER	384	X	12		4,608	14,520
THURSDAY	521	X	49		25,529	17,346
FRIDAY REGULAR LUNCH	441	X	52		22,932	18,616
FRIDAY REGULAR DINNER	393	X	45		17,685	25,650
SATURDAY	385	X	52		20,020	15,340
SUNDAY BREAKFAST/LUNCH	418	X	53		22,154	21,095
REGULAR DINNER	361	X	40		14,440	26,240
BUFFET DINNER	420	X	7		2,940	7,987
					$190,044	$210,482*
					LABOR	vs. SALES
ADJUSTED FOR 6 MONTH PAY RAISE					$184,321	

*Adjusted total due to averaging.

LABOR COST PER PERSON SERVED

	Regular Lunch	Regular Dinner	Excess Labor Applied to: Club Parties, Private Parties, Receptions, Catering, Other	Overall 12 Months Ended May 1981
LABOR	$132,013	$52,308	$34,096	$218,417
MEALS	6,474	3,432	1,092	10,998
PAYROLL TAXES	17,175	5,630	7,523	30,328
WORKMAN'S COMP.	3,996	1,310	2,809	8,115
BLUE CROSS (12)	3,652	1,671	2,599	7,922
TOTAL	$163,310	$64,351	$48,119	$275,780
NUMBER SERVED	36,597	9,353	29,738	75,688
LABOR COST PER PERSON SERVED	$ (4.46)	$ (6.90)	$ (1.62)	$ (3.64)
AVERAGE FOOD COST	(1.25)	(4.35)	(4.03)	(2.96)
SUB TOTAL	(5.71)	(11.25)	(5.65)	(6.60)
AVERAGE CHECK AND TOTAL	$ 3.19	$ 10.01	$ 9.84	$ 6.65
NET P (L) PER MEAL BEFORE OTHER EXPENSES	(2.52)	(1.24)	+4.19	+.05

Portland Golf Club
Combined Dining Room and Bar Operations
Nonmember Business (Actual for Source Documents)

	11 Months Ended 9/30/80			Year Ended 9/30/81		
	Dining Room	Bar	Total	Dining Room	Bar	Total
Sales	$68,122	$16,300	$84,422	$85,134	$21,413	$106,547
Variable expenses:						
Food & Liquor	27,249	5,183	32,432	34,054	6,617	40,671
Labor & Other Related Costs	14,540	5,281	19,821	16,868	7,259	24,127
Other	8,362	1,206	9,568	11,853	1,756	13,609
	$50,151	$11,670	$61,821	$62,775	$15,632	$78,407
Excess of Sales over Variable Expenses	$17,971	$ 4,630	$22,601	$22,359	$ 5,781	$28,140
Fixed Expenses	3,153	0 *	3,153	4,666	0 *	4,666
Profit	$14,818	$ 4,630	$19,448	$17,693	$ 5,781	$23,474

*Fixed expenses are included under Dining Room.

EXHIBIT NO. _____

Form **990-T**
Department of the Treasury
Internal Revenue Service

Exempt Organization Business Income Tax Return

(Under Section 511 of the Internal Revenue Code) For calendar year 1984 or other tax year beginning October 1, 1984, and ending September 30, 19 85

OMB No 1545-0687

1984

Name of organization
Portland Golf Club

Address (number and street)
5900 S.W. Scholls Ferry Road

City or town, State, and ZIP code
Portland, Oregon 97225

A Employer identification number (employees' trust see instruction for Block A)
93 : 0256880

B Enter unrelated business activity codes from page 10 of instructions
5800 | 9100 |

C Check box if address changed . . . . . ▶ ☐

D Exempt under section . . . . . ▶ 501 (c) (7)

E Check applicable box . . ▶ ☒ Corporation ☐ Trust ☐ Section 401(a) trust

F Group exemption number (see instructions for Block F) ▶ N/A

If the unrelated trade or business gross income is $10,000 or less, complete only page 1, Part III on page 2, and sign the return.
Complete all applicable parts of the form (except lines 1 through 4) if unrelated trade or business gross income is over $10,0

Taxable Income

1	Unrelated trade or business gross income (state sources ▶ Dividends & Interest)	1	11,418
2	Deductions (complete Parts I and II instead of lines 1, 2, 3 and 4 if you have gross income over $10,000)	2	
3	Unrelated business taxable income before specific deduction (subtract line 2 from line 1)	3	11,418
4	Specific deduction (see instructions)	4	(1,000)
5	Unrelated business taxable income (subtract line 4 from line 3 or enter amount from line 33, page 2)	5	10,418

Tax Computation

Organizations Taxable as Corporations (See Instructions for Tax Computation)

6 (a) Check if you are a member of a controlled group (see sections 1561 and 1563) . . . . . ☐

(b) If checked, see instructions and enter your share of the $25,000 in each taxable income bracket:
(i) $ ____ (ii) $ ____ (iii) $ ____ (iv) $ ____

7	Income tax on amount on line 5, above. Check here ▶ ☐ if alternative tax from Schedule D (Form 1120) is used.	7	1,563

Trusts Taxable at Trust Rates (See Instructions for Tax Computation)

8	Enter the tax from the tax rate schedule in the instructions on the amount on line 5	8	

Total Income Tax

9	(a) Foreign tax credit (corporations attach Form 1118, trusts attach Form 1116)	9(a)			
	(b) Other credits (see instructions)	9(b)			
	(c) General business credit.— Check if from ☐ Form 3800 ☐ Form 3468 ☐ Form 5884 ☐ Form 6478	9(c)			
10	Total (add lines 9(a) through 9(c))			10	0
11	Subtract line 10 from line 7 or line 8			11	1,563
12	Tax from recomputing prior year investment credit (attach Form 4255)			12	
13	Minimum tax on tax preference items (Corporations only– see instructions)			13	
14	Alternative minimum tax (Trusts only–see instructions)			14	
15	Total tax (add lines 11 through 14)			15	1,563
16	Credits and payments:				
	(a) Tax deposited with Form 7004 or Form 2758	16(a)			
	(b) Foreign corporations—Tax paid or withheld at the source (see instructions)	16(b)			
	(c) Credit from regulated investment companies (attach Form 2439)	16(c)			
	(d) Credit for Federal tax on gasoline and special fuels (attach Form 4136)	16(d)	716		
	(e) Other credits and payments (see instructions)	16(e)			
	(f) Total credits and payments (add lines 16(a) through 16(e))			16(f)	716
17	**TAX DUE** (subtract line 16(f) from line 15). See instructions for depositary method of payment ▶			17	847
18	**OVERPAYMENT** (subtract line 15 from line 16(f)) ▶			18	

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Signature of officer | Date | ▶ Title

Paid Preparer's Use Only

Preparer's signature ▶ | Date | Check if self-employed ▶ ☐ | Preparer's social security no.

Firm's name (or yours, if self-employed) and address ▶ Ernst & Whinney
Portland, Oregon

E.I. No. ▶ 34-6565596
ZIP code ▶ 97201

For Paperwork Reduction Act Notice, see page 1 of instructions.

Form **990-T** (1984)

EXHIBIT NO. ____

98

SCHEDULE C—RENT INCOME FROM REAL PROPERTY AND PERSONAL PROPERTY LEASED WITH REAL PROPERTY

(See Instructions for Part I, line 6)

1. Description of property	2. Rent received or accrued	3. Percentage of rent for personal property
N/A		%
		%
		%
		%
		%

4. Complete for any item if the entry in column 3 is more than 50%, or if the rent is based on profit or income		5. Complete for any item if the entry in column 3 is more than 10% but not more than 50%		
(a) Deductions directly connected (Attach schedule)	(b) Income includible (Column 2 minus column 4(a))	(a) Gross income reportable (Column 2 x column 3)	(b) Deductions directly connected with personal property (Attach schedule)	(c) Income includible (Column 5(a) minus column 5(b))
	N/A			

Add columns 4(b) and 5(c) and enter total here and on line 6, Part I, page 2 . . . . .

SCHEDULE E—UNRELATED DEBT-FINANCED INCOME (See Instructions for Part I, line 7)

1. Description of debt-financed property	2. Gross income from or allocable to debt-financed property	3. Deductions directly connected with or allocable to debt-financed property	
		(a) Straight-line depreciation (Attach schedule)	(b) Other deductions (Attach schedule)
1 N/A			

4. Amount of average acquisition indebtedness on or allocable to debt-financed property (Attach schedule)	5. Average adjusted basis of or allocable to debt-financed property (Attach schedule)	6. Percentage which col. 4 is of col. 5	7. Gross income reportable (Column 2 x column 6)	8. Allocable deductions (Column 6 x total of columns 3(a) and 3(b))	9. Net income or (loss) includible (Column 7 minus column 8)
		%			
		%			
		%			
		%			
		%			
2 Total (enter here and on line 7, Part I, page 2)					
3 Total dividends-received deductions included in column 8					

SCHEDULE F—INVESTMENT INCOME OF A SECTION 501(c)(7) OR (9) ORGANIZATION

(See Instructions for Part I, line 8)

1. Description	2. Amount	3. Deductions directly connected (Attach schedule)	4. Net investment income (Column 2 minus column 3)	5. Set-asides (Attach schedule)	6. Balance of investment income (Column 4 minus column 5)
Money Market					
Account-MLPF&S	11,106		11,106		11,106
USNB	312		312		312
Total (enter here and on line 8, Part I, page 2)					11,418

SCHEDULE G—INCOME (ANNUITIES, INTEREST, RENTS AND ROYALTIES) FROM CONTROLLED ORGANIZATIONS

(See Instructions for Part I, line 9)

1. Name and address of controlled organization(s)	2. Gross income from controlled organization(s)	3. Deductions of controlling organization directly connected with column 2 income (Attach schedule)	4. Exempt controlled organizations		
			(a) Unrelated business taxable income	(b) Taxable income computed as though not exempt under sec. 501(a), or the amount in col. (a), whichever is more	(c) Percentage which col. (a) is of col. (b)
N/A					%
					%
					%

5. Nonexempt controlled organizations			6. Gross income reportable (Column 2 x column 4(c) or column 5(c))	7. Allowable deductions (Column 3 x column 4(c) or column 5(c))	8. Net income includible (Column 6 minus column 7)
(a) Excess taxable income	(b) Taxable income, or amount in column (a), whichever is more	(c) Percentage which col. (a) is of col. (b)			
		%			
		%			
		%			
Total (enter here and on line 9, Part I, page 2)					

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Form **4136**

Department of the Treasury
Internal Revenue Service (0)

Computation of Credit for Federal Tax on Gasoline and Special Fuels

▶ Attach this form to your income tax return.

OMB No 1545-0162

1984
25

Name (as shown on your income tax return)
Portland Golf Club

Social security or employer identification number
93-0256880

Type of Use	Gasoline and Gasohol, Diesel Fuel, and Other Special Motor Fuels		
	A. Number of Gallons Used	B. Rate of Tax	C. Multiply Column A by Column B
1 Qualified diesel-powered highway vehicles (See instruction E.)			$
2 Nonhighway:			
a Farm (for farming purposes) (Ground applicators of agricultural substances, see instruction C.1.):			
(i) Gasoline		.09	
(ii) Diesel fuel		.09/.15	$
(iii) Special fuels		.09	
b Commercial fishing vessel (See instructions C.2. and D.2.(b)):			
(i) Gasoline		.09	
(ii) Diesel fuel		.09/.15	$
(iii) Special fuels		.09	
c Off-highway business (specify) Unlicensed off-road vehicles			
(i) Gasoline	7,774	.09	
(ii) Diesel fuel	110	.09/.15	$ 716
(iii) Special fuels		.09	
3 a Intercity, local, and school buses (See instruction C.4.)		.09/.12 *	
b Qualified local buses (See instruction D.2.(c).)		.15	$
4 Gasoline/Alcohol Mixture		.0456/.0566 *	$
5 a Diesel/Alcohol Mixture		.05/.11/.06 *	
b Special Fuels/Alcohol Mixture		.05/.06 *	$
6 Qualified taxicab		.04 *	$
Aviation Fuel			
7 Farm (for farming purposes) (Aerial applicators of agricultural substances, see instruction C.1.)		.12/.14 *	$
8 Aviation (Applies only to commercial or certain helicopter uses as defined in instruction C.7.)		.12/.14 *	$
9 Total income tax credit claimed (add lines 1 through 8) ▶			$ 716

* *Use rate paid or allowable rate if less*

Instructions

(Section references are to the Internal Revenue Code)

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Changes You Should Note.

- The credit for tax paid on lubricating oil has been repealed.
- If on January 1, 1985, you owned a qualified diesel-powered highway vehicle, you may be entitled to an income tax credit for 1984.

Refund Instead of Credit.—If you paid excise tax of at least $1,000 ($200 for gasoline/alcohol mixture and $50 for gasoline, diesel fuel, or special fuels used in a qualified taxicab) on any fuel category used in any one of the first three quarters of the tax year, you may file for a refund of the tax instead of claiming a credit for it on Form 4136. To claim the refund, file **Form 843**, Claim, before the end of the quarter following the one for which you are claiming the refund. Show separate computations for a claim on gasoline and special fuels. You may use Form 4136 as a worksheet to show your computations and attach it to the Form 843 you file.

You must claim a credit, rather than a refund, for any tax paid during the fourth quarter, and for any tax under $1,000 ($200 for gasoline/alcohol mixture and $50 for gasoline, diesel fuel, or special fuels used in a qualified taxicab) for any fuel used in the first three quarters. You must also claim the credit rather than a refund, for tax paid on gasoline or special fuels used on a farm for farming purposes.

Do not claim a credit on Form 4136 for any amount that you previously claimed as a refund.

A. Purpose of Form.—File this form if you claim credit for Federal excise tax on gasoline and gasohol, diesel fuel and other special fuels used for certain types of business uses or the credit for diesel-powered highway vehicles.

The credit is figured by multiplying the number of gallons used by the rate of Federal excise tax paid or the allowable rate if lesser.

An individual, estate, trust, or corporation may file this form, but a partnership may not. However, when a partnership files **Form 1065**, it must include a statement showing how many gallons of the fuels are allocated to each partner, the types of use, and the applicable tax rate as shown on this form.

B. Year To Include the Credit Or Refund In Income.—When you claim a credit or refund, you must include it in your gross income to the extent it resulted in a reduction of your income tax. The year in which you include it depends upon your method of accounting. This rule does not apply to the credit claimed on line 1.

1. Cash Method.—If you use the cash method, include the amount of credit in gross income for the tax year in which you file the tax return that claims the credit. If you file an amended return, or if you file a claim for credit or refund (and claim the credit for the tax), include the refund that results from the credit in your gross income for the tax year you receive it.

2. Accrual Method.—If you use the accrual method, figure the amount of the credit or refund due at the close of your tax year. Include it in income, even if you have not filed a claim for refund.

C. What Gasoline to Include.—You may claim credit for Federal excise tax on gasoline or gasohol for farm uses, commercial fishing vessel uses, off-highway business uses, intercity, local, or school bus uses, qualified taxicab use, and commercial or certain helicopter aviation uses.

1. Farm Use.—You may claim a credit for gasoline used for farming in a trade or business farm in the United States in the amount of 9¢ a gallon. (See instruction C. 7. for aviation fuel used for farming.) Such farms include the following: stock, dairy, poultry, fur-bearing animals, truck farms, plantations, ranches, nurseries, ranges, greenhouses, and orchards.

Gasoline is considered used for farming only if the owner, tenant, or operator of the farm uses the gasoline. If gasoline is used for the farming tasks set forth below by anyone else, the owner, tenant, or operator is considered the user of the gasoline. There is an exception to this rule. An aerial or ground applicator of agricultural substances is considered to have used gasoline for farming when performing the farming tasks under the following conditions:

Form **4562**

Department of the Treasury
Internal Revenue Service (O)

Depreciation and Amortization

▶ See separate instructions.
▶ Attach this form to your return.

OMB No 1545-0172

1984
67

Name(s) as shown on return
Portland Golf Club

Identifying number
93-0256880

Business or activity to which this form relates
Section 501(c)(7) Organization

Part I Depreciation

For transportation equipment (e.g. autos), amusement/recreation property, and computer/peripheral equipment placed in service after June 18, 1984, and used 50% or less in a trade or business, the section 179 deduction is not allowed and depreciation must be taken only on line 2(h).

Section A.—Election to expense recovery property (Section 179)

A. Class of property	B. Cost	C. Expense deduction

1 Total (not more than $5,000). (Partnerships or S corporations—see the Schedule K and Schedule K-1 Instructions of Form 1065 or 1120S) . . . . . |

Section B.—Depreciation of recovery property

A. Class of property	B. Date placed in service	C. Cost or other basis	D. Recovery period	E. Method of figuring depreciation	F. Deduction
2 Accelerated Cost Recovery System (ACRS) (see instructions): *For assets placed in service* **ONLY** *during taxable year beginning in 1984*					
(a) 3-year property		9,599	3	ACRS	2,400
(b) 5-year property		297,336	5	ACRS	44,600
(c) 10-year property					
(d) 15-year public utility property					
(e) 15-year real property—low-income housing					
(f) 15-year real property other than low-income housing					
(g) 18-year real property					
(h) Other recovery property				S/L	
				S/L	

3 ACRS deduction for assets placed in service prior to 1984 (see instructions)	129,854

Section C.—Depreciation of nonrecovery property

4 Property subject to section 168(e)(2) election (see instructions)	
5 Class Life Asset Depreciation Range (CLADR) System Depreciation (see instructions)	
6 Other depreciation (see instructions)	95,497

Section D.—Summary

7 Total (Add deductions on lines 1 through 6). Enter here and on the Depreciation line of your return (Partnerships and S corporations—DO NOT include any amounts entered on line 1.)	272,351

Part II Amortization

A. Description of property	B. Date acquired	C. Cost or other basis	D. Code section	E. Amortization period or percentage	F. Amortization for this year

Total. Enter here and on Other Deductions or Other Expenses line of your return . . . . . |

SCHEDULE SUPPORTING FORM 990-T
PORTLAND GOLF CLUB
Year Ended September 30, 1985
#93-0256880

PART I - UNRELATED TRADE OR BUSINESS INCOME

Line 2 - Cost of goods sold:

Salaries	$ 45,713
Food supplies	25,126
Liquor supplies	6,781
Payroll taxes	5,636
Employees' insurance and meals	5,362
Miscellaneous expense	639
Laundry	925
Electricity	2,493
Gas heat	1,172
Repairs and maintenance	3,968
Supplies	6,178
Cleaning	179
Cartage and hauling	267
Menus	131
Gas and oil	597
Flowers and decorations	205
Battery replacement	249
Professional fees	920
Total Cost of Goods Sold	$106,541

90

SCHEDULE SUPPORTING FORM 990-T
PORTLAND GOLF CLUB
Year Ended September 30, 1985
#93-0256880

PART II - DEDUCTIONS NOT TAKEN ELSEWHERE

Line 18 - Interest		
Interest on contract payable to the University of Oregon Health Sciences Center	$	26
Interest on tax liability		213
Total Interest	$	239
Line 19 - Taxes		
Payroll taxes	$	1,237
Property taxes		2,413
Total Taxes	$	3,650
Line 25 - Other Deductions		
Supplies and other	$	1,051
Electricity		1,040
Gas heat		1,410
Water		325
Telephone		269
Flowers and decorations		333
Sundry		573
Travel		196
Dues		94
Directors' and committees' expenses		831
Postage		349
Printing expense and members' bulletins		696
Professional services		511
Data processing		306
Laundry		301
Entertainment and tournaments		1,527
Liability insurance		936
Managers expense		100
Total Other Deductions	$	10,848
Line 30 - Net operating Loss Deduction		
Net operating loss deduction for the year ending:		
10/31/74	$	13,678
10/31/75		11,831
10/31/76		23,302
10/31/77		57,778
10/31/78		39,943
10/31/79		24,133
09/30/80		28,433
09/30/81		69,608
09/30/82		51,505
09/30/83		44,906
09/30/84		53,332
	$	418,449

Schedule Supporting Form 990-T
Portland Golf Club
Year Ended September 30, 1985
#93-0256880

Part II - DEDUCTIONS NOT TAKEN ELSEWHERE

Line 21 - Depreciation

Total Depreciation per Attached Form 4562	$272,351
Percent Allocated to Unrelated Business Income	x.0427
Total Depreciation	$ 11,629